2nd Quarter 2025

Data as of April 23, 2025

Nationwide Market Insights℠

Our perspective on the market and economic forces influencing investment planning and retirement

Nationwide®

Nationwide Market Insights℠

One of the challenges of planning for a more secure financial future comes in understanding the market and economic forces that affect investment performance and influence investment decisions. With *Nationwide Market Insights*, we present insights and informative commentary about the economy and the financial markets from Nationwide's staff of economists. You can share *Nationwide Market Insights* with clients to help answer questions about investment performance and inspire greater confidence in the guidance you provide.

When you work with Nationwide, you not only get tools and resources from Nationwide Economics, but also the strength and stability of a Fortune 100 company standing behind the wide range of financial products we offer — from mutual funds and annuities to life insurance and retirement plans.

Plus, you can count on consultative support from the Nationwide Team of Specialists for assistance with the retirement planning challenges you and your clients face. Contact your wholesaler to learn more about *Nationwide Market Insights* and other resources available from Nationwide Economics or the many solutions Nationwide offers.

Executive Summary

Financial markets began the second quarter of 2025 in a very different position from the start of the year. Even after pausing the highest tariff levies, substantial changes in U.S. trade policy mean the effective tariff rate is now at the highest level since before WWI. This has sparked a sharp pullback in risk assets and a rethinking of the U.S. exceptionalism.

Looking beyond tariffs, negative growth policies on the fiscal and immigration fronts are preceding the potential pro-growth impacts from deregulation, tax cuts, and a more efficient government sector.

We think the economy will slow to register essentially zero growth Q4/Q4 in 2025. The slowdown could be deeper if there is a lack of trade deals struck with other countries to avert a re-enactment of so-called 'reciprocal tariffs' and/or if investor, business and consumer confidence are permanently shaken. We think inflation concerns and uncertainty surrounding policy changes will leave Fed policymakers on the sidelines for most of this year.

Table of contents

Financial Markets

Highlights

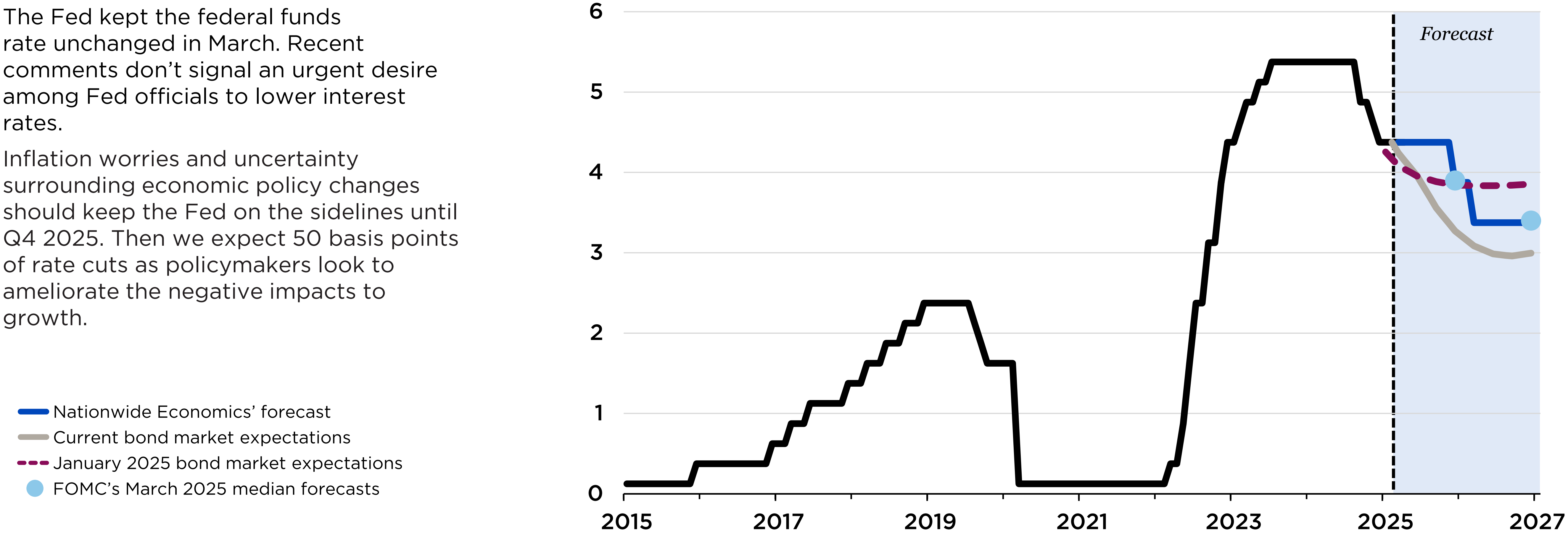
Fed is in wait-and-see mode

The Fed kept the federal funds rate unchanged in March. Recent comments don't signal an urgent desire among Fed officials to lower interest rates.

Inflation worries and uncertainty surrounding economic policy changes should keep the Fed on the sidelines until Q4 2025. Then we expect 50 basis points of rate cuts as policymakers look to ameliorate the negative impacts to growth.

Federal funds rate

Percent



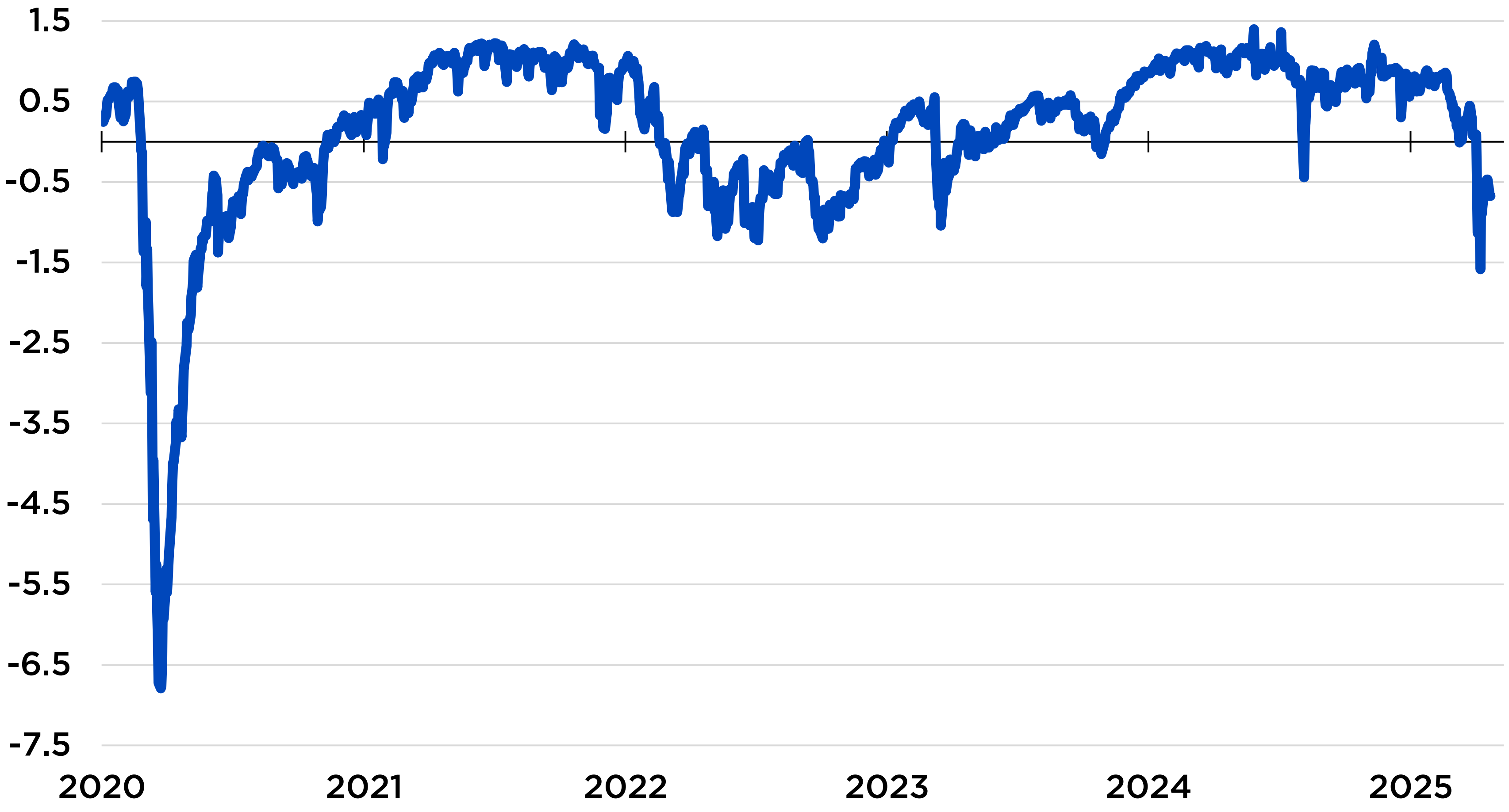
Source: Federal Reserve, Bloomberg, CME, SOFR Futures Data, Nationwide Economics

Financial conditions were loose until the tariff shock

Financial conditions were contributing positively to GDP growth in the run-up to the escalation in trade policy uncertainty and financial market volatility. However, financial conditions have tightened and are now weighing on GDP growth.

Bloomberg U.S. Financial Conditions Index

Index; > 0 = accommodative



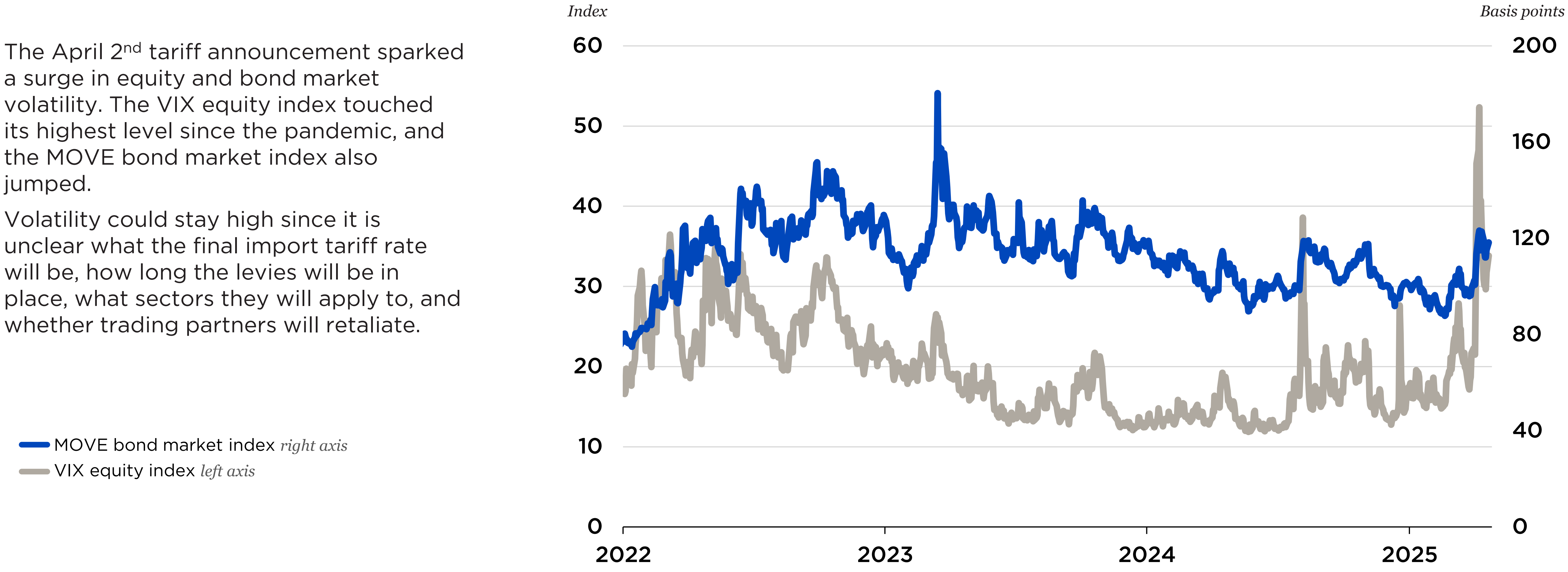
Source: Bloomberg, Nationwide Economics

A jump in financial market volatility

The April 2nd tariff announcement sparked a surge in equity and bond market volatility. The VIX equity index touched its highest level since the pandemic, and the MOVE bond market index also jumped.

Volatility could stay high since it is unclear what the final import tariff rate will be, how long the levies will be in place, what sectors they will apply to, and whether trading partners will retaliate.

Volatility measures



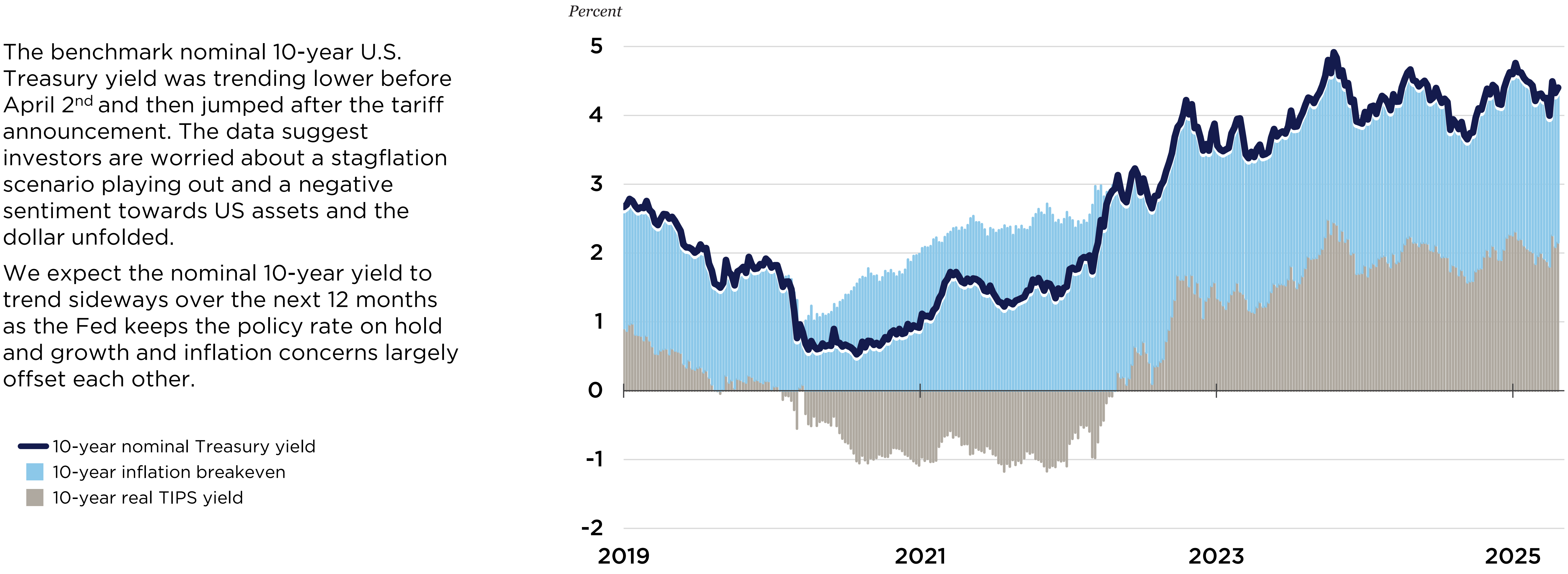
Source: Bloomberg, Nationwide Economics

Treasury market flags higher inflation and lower growth worries

The benchmark nominal 10-year U.S. Treasury yield was trending lower before April 2nd and then jumped after the tariff announcement. The data suggest investors are worried about a stagflation scenario playing out and a negative sentiment towards US assets and the dollar unfolded.

We expect the nominal 10-year yield to trend sideways over the next 12 months as the Fed keeps the policy rate on hold and growth and inflation concerns largely offset each other.

Breakdown of the 10-year U.S. Treasury yield

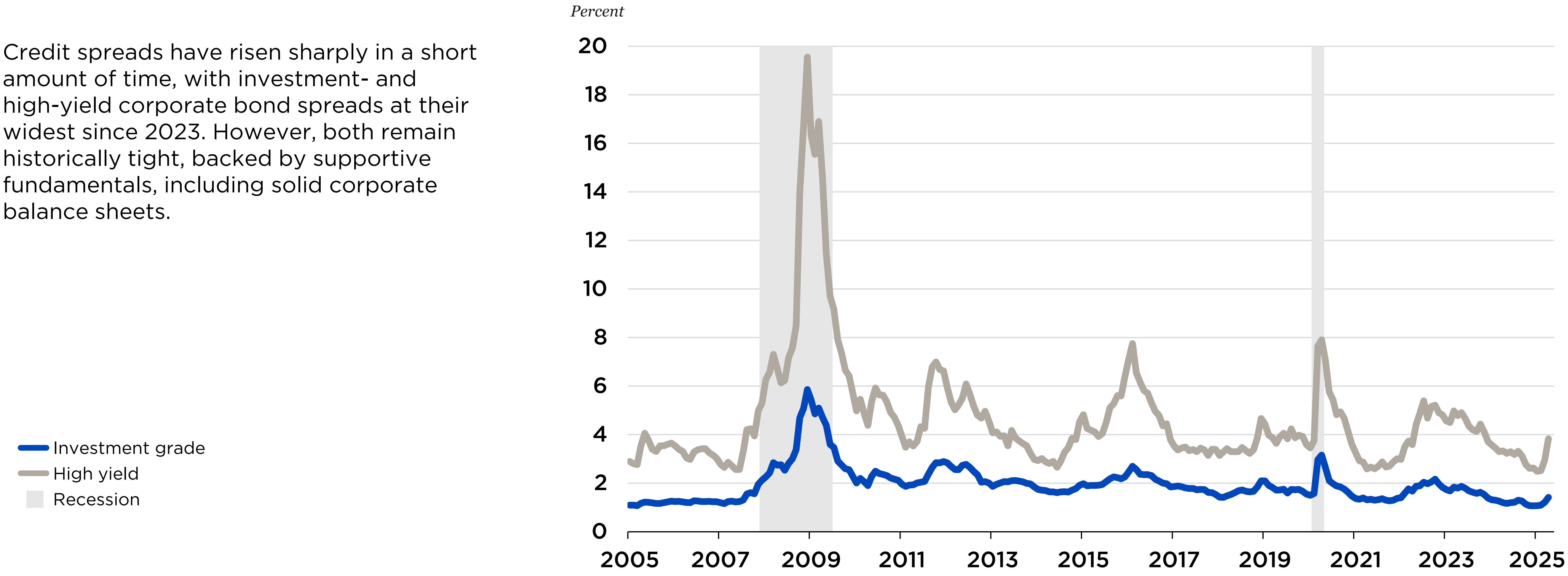


Source: Bloomberg, Nationwide Economics

A rapid widening in corporate bond spreads

Credit spreads have risen sharply in a short amount of time, with investment- and high-yield corporate bond spreads at their widest since 2023. However, both remain historically tight, backed by supportive fundamentals, including solid corporate balance sheets.

Investment-grade and high-yield option adjusted spreads



Source: Federal Reserve Board, ICE/Bank of America Merrill Lynch, Haver Analytics, Nationwide Economics

Which fixed-income asset classes have fared best in 2025?

Fixed income investors' appetite for risk has reversed sharply from 2024. Treasuries and TIPS have delivered the greatest year-to-date return as investors seek security. Relatively riskier fixed income asset classes have underperformed, as might be expected given the deterioration in sentiment and concerns about a U.S. recession.

Yearly changes by asset class

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
HY Corporate 17.1%	HY Corporate 7.5%	Agencies 1.3%	IG Corporate 14.5%	TIPS 11.2%	TIPS 6.1%	Agencies -7.9%	HY Corporate 13.4%	HY Corporate 8.2%	Treasuries 3.6%
IG Corporate 6.1%	IG Corporate 6.4%	Municipals 1.3%	HY Corporate 14.3%	Treasuries 10.6%	HY Corporate 5.3%	Municipals -8.5%	IG Corporate 8.5%	Agencies 3.2%	TIPS 3.0%
TIPS 4.8%	Municipals 5.4%	MBS 1.0%	Treasuries 8.9%	IG Corporate 9.9%	Municipals 1.5%	MBS -11.8%	Municipals 6.4%	IG Corporate 2.1%	MBS 2.4%
Bloomberg Agg 2.6%	Bloomberg Agg 3.5%	Bloomberg Agg 0.0%	TIPS 8.8%	Bloomberg Agg 7.5%	IG Corporate -1.0%	HY Corporate -11.9%	Bloomberg Agg 5.5%	TIPS 1.8%	Bloomberg Agg 2.2%
MBS 1.7%	TIPS 3.3%	Treasuries 0.0%	Bloomberg Agg 8.7%	HY Corporate 7.1%	MBS -1.0%	TIPS -12.6%	Agencies 5.1%	Bloomberg Agg 1.3%	Agencies 2.1%
Agencies 1.4%	MBS 2.5%	TIPS -1.5%	Municipals 7.5%	Agencies 5.5%	Agencies -1.3%	Bloomberg Agg -13.0%	MBS 5.0%	MBS 1.2%	IG Corporate 1.1%
Municipals 0.2%	Treasuries 2.1%	HY Corporate -2.1%	MBS 6.4%	Municipals 5.2%	Bloomberg Agg -1.5%	IG Corporate -15.8%	TIPS 3.8%	Municipals 1.1%	HY Corporate -0.6%
Treasuries -0.2%	Agencies 2.1%	IG Corporate -2.5%	Agencies 5.9%	MBS 3.9%	Treasuries -3.6%	Treasuries -16.3%	Treasuries 3.2%	Treasuries -1.7%	Municipals -1.4%

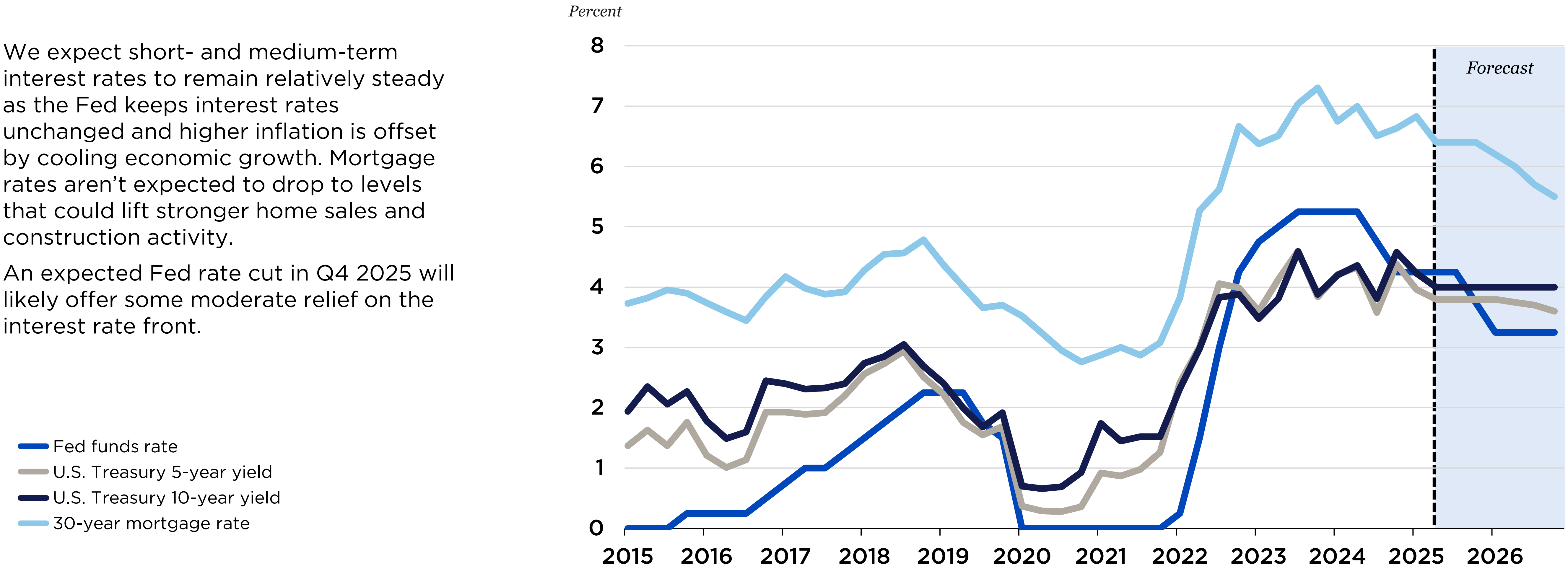
Note: IG corporate represents investment grade corporate debt; HY corporate represents high yield corporate debt
Source: Bloomberg, Nationwide Economics

Interest rates will likely stay high

We expect short- and medium-term interest rates to remain relatively steady as the Fed keeps interest rates unchanged and higher inflation is offset by cooling economic growth. Mortgage rates aren't expected to drop to levels that could lift stronger home sales and construction activity.

An expected Fed rate cut in Q4 2025 will likely offer some moderate relief on the interest rate front.

Nationwide Economics' interest rate forecasts



Note: September 2024 forecast vintage
Source: Haver Analytics, Nationwide Economics

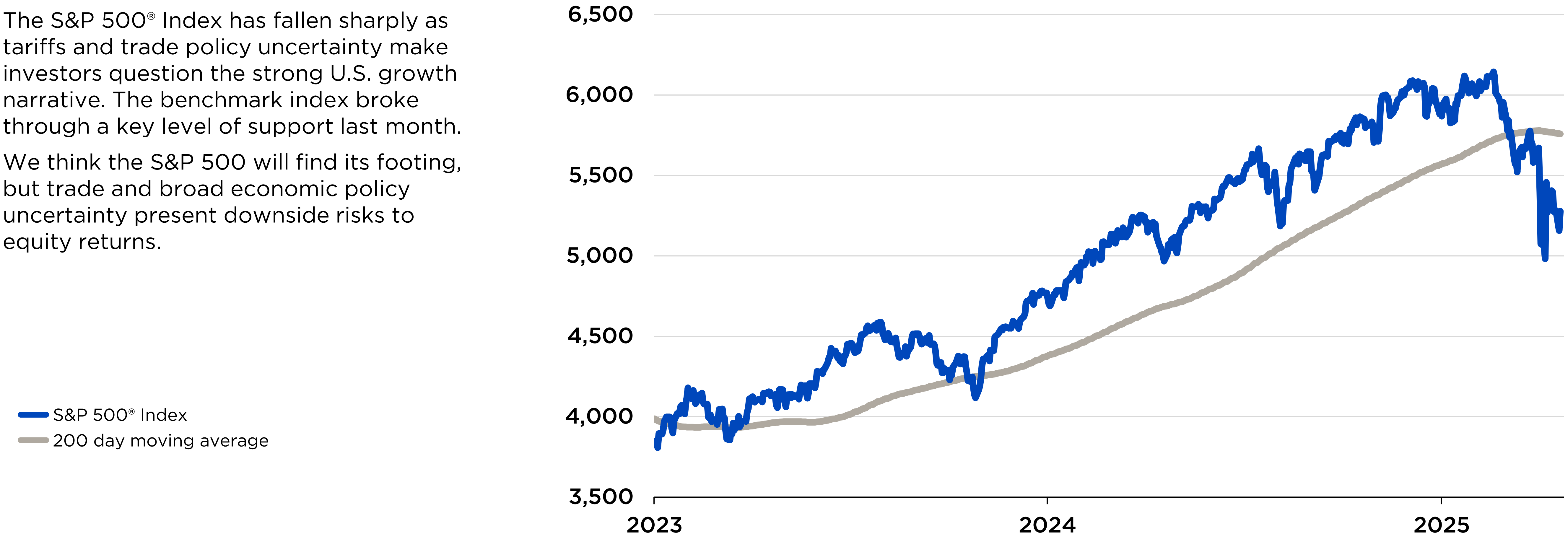
A rapid souring of investor attitudes

The S&P 500® Index has fallen sharply as tariffs and trade policy uncertainty make investors question the strong U.S. growth narrative. The benchmark index broke through a key level of support last month.

We think the S&P 500 will find its footing, but trade and broad economic policy uncertainty present downside risks to equity returns.

S&P 500® Index: 200 day moving average

Index, 1941-43 = 10

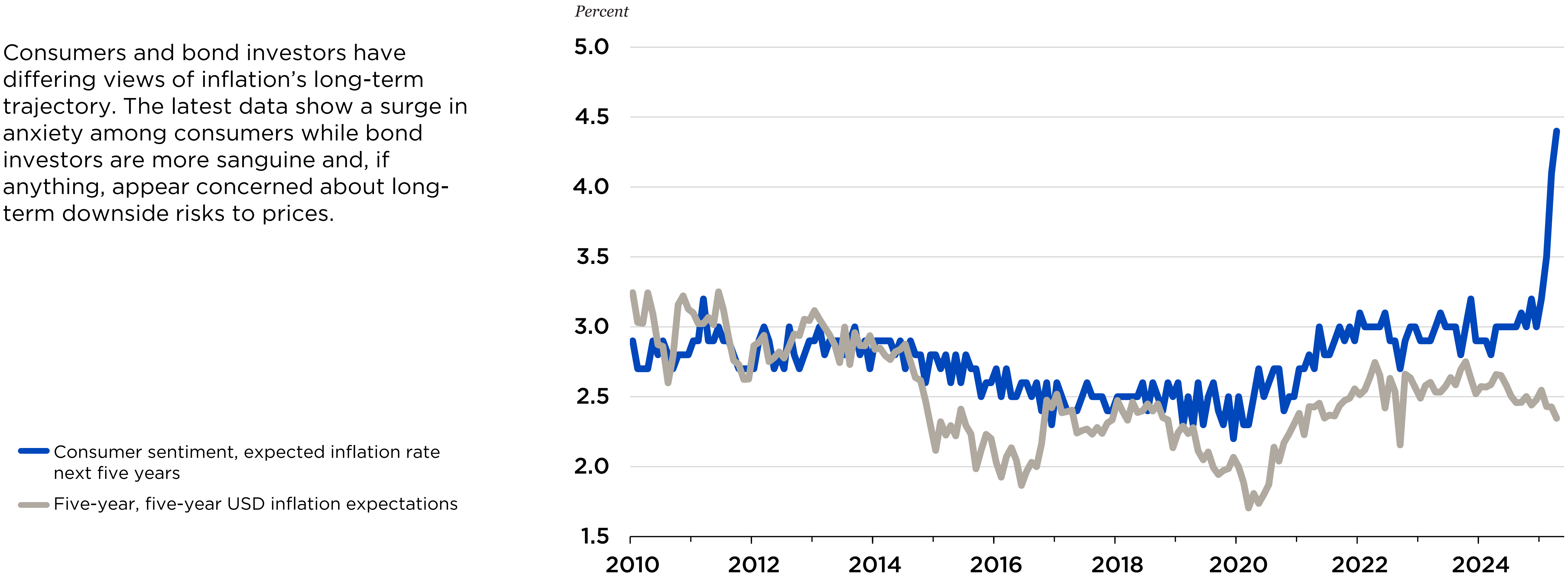


Note: The results shown represent past performance; past performance does not guarantee future results
Source: Bloomberg, Nationwide Economics

Investors and consumers are thinking differently about inflation

Consumers and bond investors have differing views of inflation's long-term trajectory. The latest data show a surge in anxiety among consumers while bond investors are more sanguine and, if anything, appear concerned about long-term downside risks to prices.

Market versus survey-based measures of long-term inflation expectations



Source: University of Michigan, Bloomberg, Haver Analytics, Nationwide Economics

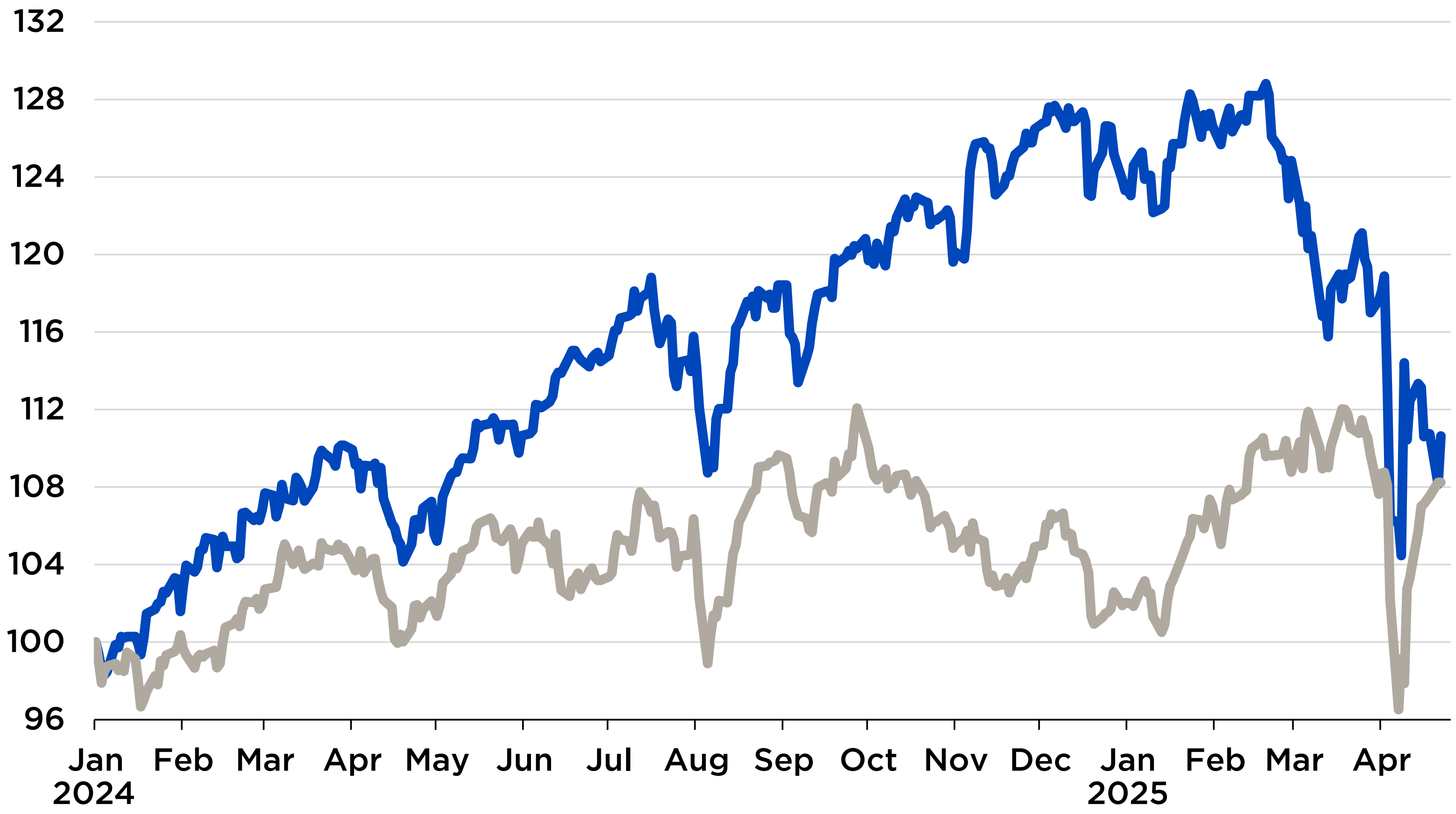
Investors rethink U.S. exceptionalism

U.S. equities had a stellar 2024 but have plunged in recent weeks because of the precarious economic policy environment. Meanwhile, better-than-expected data and significant policy adjustments overseas — particularly in Europe — have brightened investors' attitudes toward foreign stocks.

The gap in performance between U.S. and foreign equities has narrowed sharply, with the latter recovering most of their year-to-date losses.

Equity market performance: U.S. versus the rest of the world

Index; Jan. 1, 2024 = 100

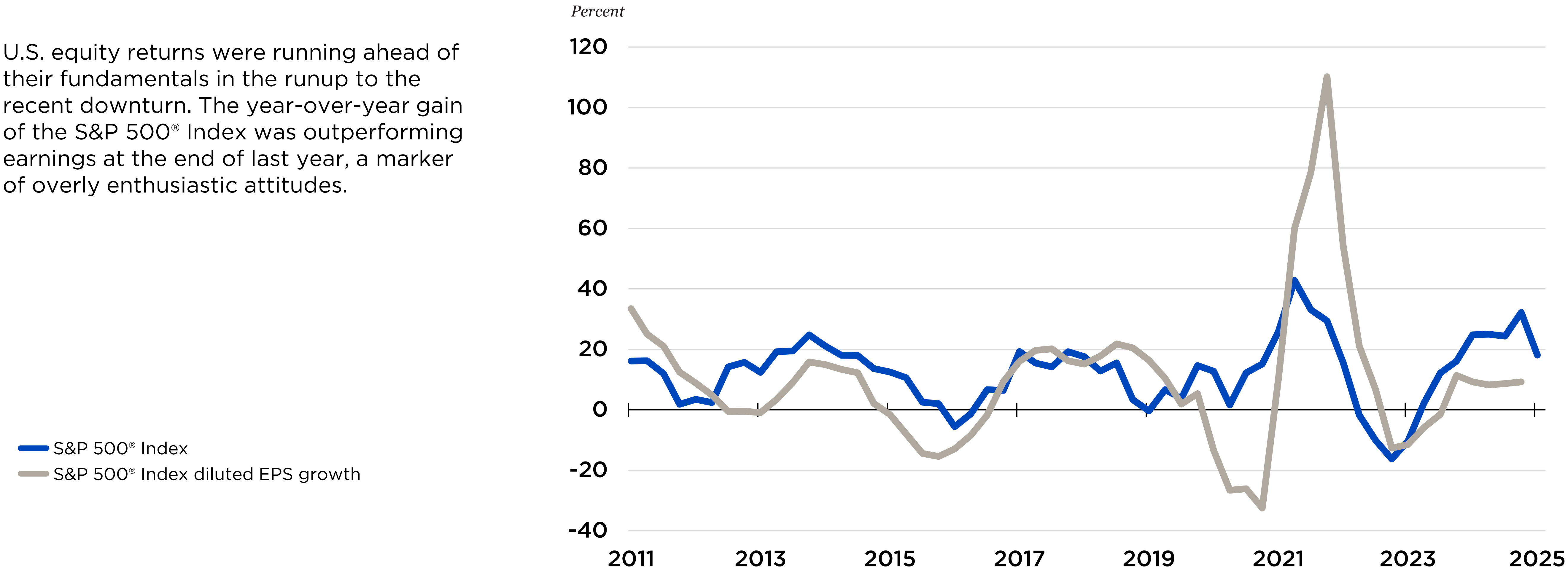


Source: Morgan Stanley Capital International, Standard & Poor's, Bloomberg, Nationwide Economics

Equities were overextended before April 2

U.S. equity returns were running ahead of their fundamentals in the runup to the recent downturn. The year-over-year gain of the S&P 500® Index was outperforming earnings at the end of last year, a marker of overly enthusiastic attitudes.

Stock market performance versus earnings growth



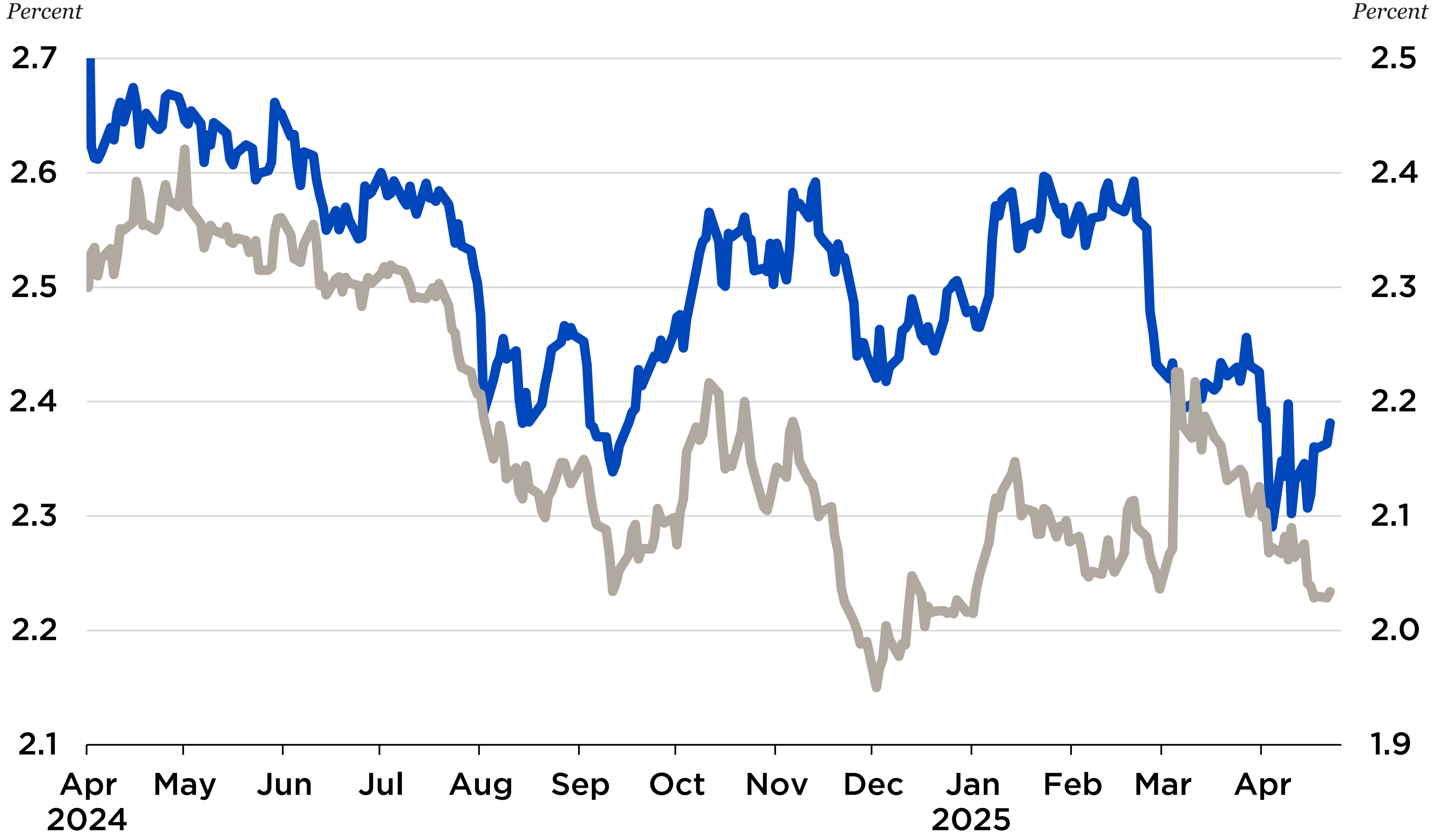
Note: The results shown represent past performance; past performance does not guarantee future results
Source: Standard & Poor's, Haver Analytics, Nationwide Economics

Some rethinking of the U.S. versus European inflation story

Earlier this year, fiscal policy changes, signals from the hard and soft economic data, the divergence in U.S. and European risk assets, and changes in expectations for central bank policy rates lowered U.S. inflation expectations and concurrently boosted European expectations.

However, inflation expectations have since then fallen on both sides of the Atlantic as tariff threats and policy uncertainty ramped up in late March and April.

Five-year, five-year inflation swap rates



Source: Bloomberg, Nationwide Economics

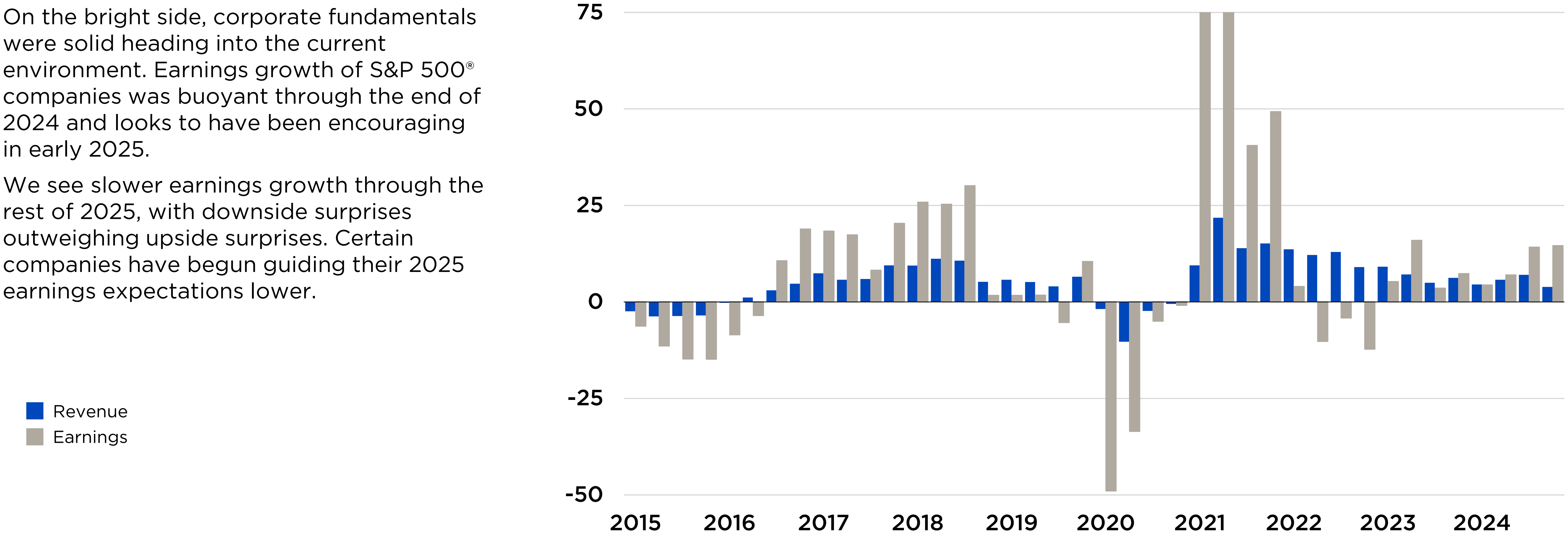
Positive revenue and earnings trends

On the bright side, corporate fundamentals were solid heading into the current environment. Earnings growth of S&P 500® companies was buoyant through the end of 2024 and looks to have been encouraging in early 2025.

We see slower earnings growth through the rest of 2025, with downside surprises outweighing upside surprises. Certain companies have begun guiding their 2025 earnings expectations lower.

S&P 500® Index: Revenue and earnings growth

Year-over-year percent change



Note: The results shown represent past performance; past performance does not guarantee future results
Source: Standard & Poor's, Nationwide Economics

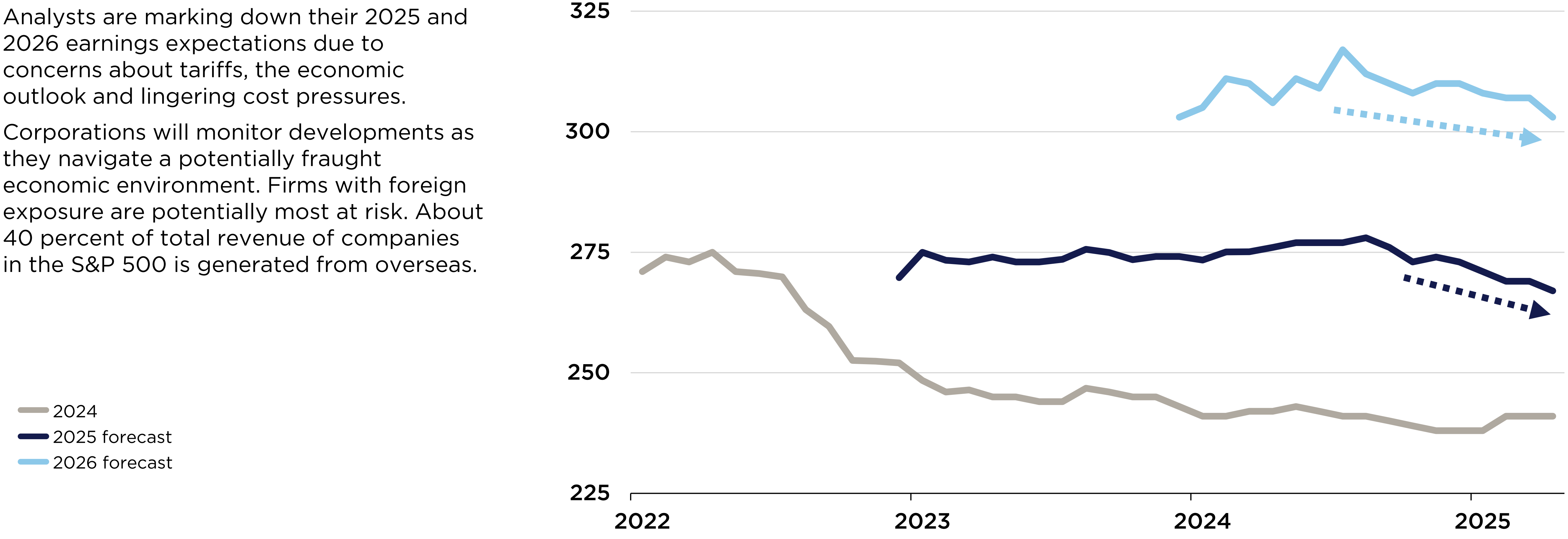
Analysts are downgrading their earnings expectations

Analysts are marking down their 2025 and 2026 earnings expectations due to concerns about tariffs, the economic outlook and lingering cost pressures.

Corporations will monitor developments as they navigate a potentially fraught economic environment. Firms with foreign exposure are potentially most at risk. About 40 percent of total revenue of companies in the S&P 500 is generated from overseas.

S&P 500® Index earnings expectations

Dollar earnings per share



Source: FactSet, Nationwide Economics

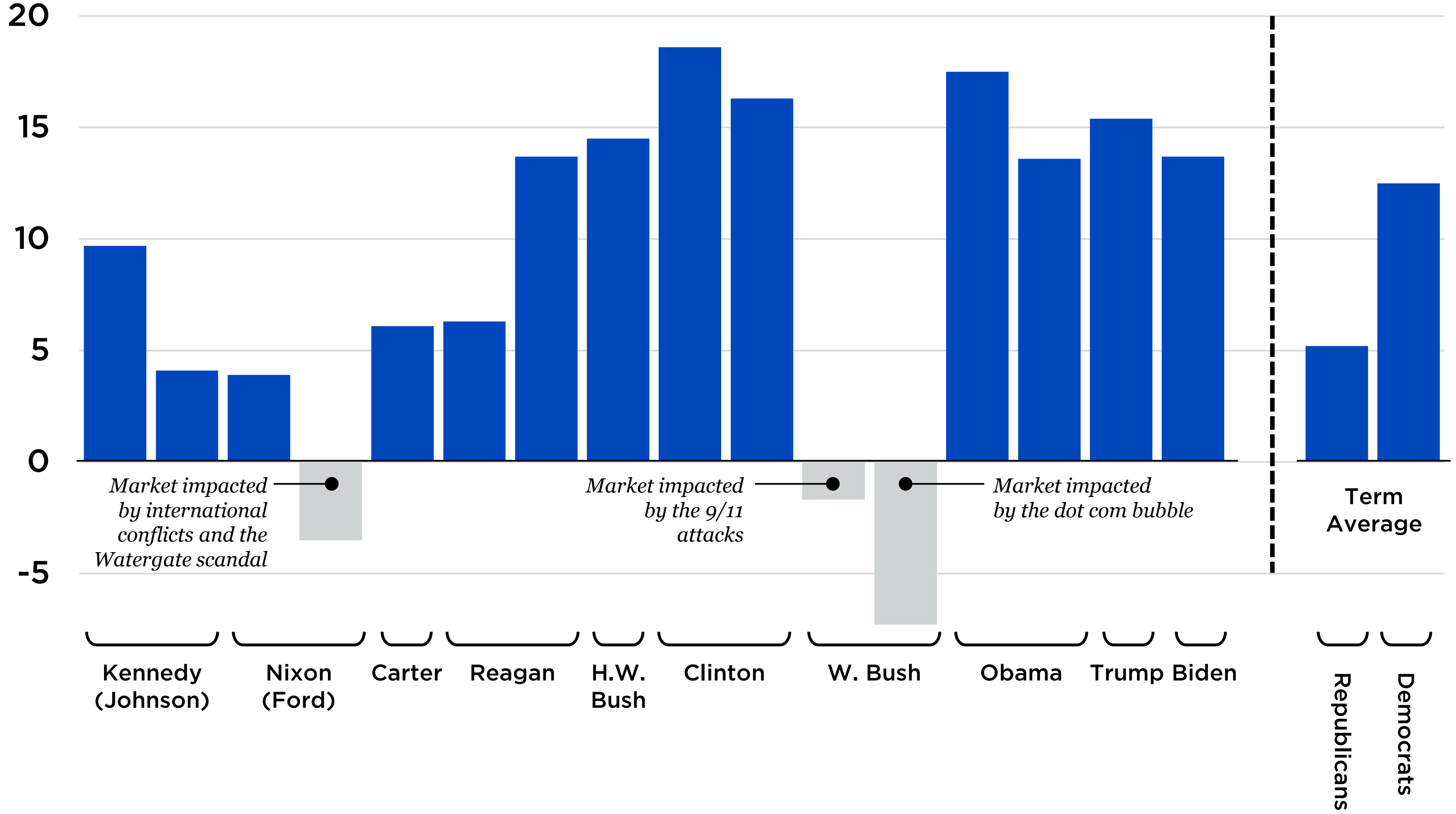
Equities historically have risen no matter which party is in the White House

History has shown equities tend to increase regardless of whether a Democrat or Republican is president. On average, the S&P 500 Index posted a five percent annualized gain when a Republican sits in the Oval Office.

However, the recent spike in economic policy uncertainty poses significant downside risks to equities.

S&P 500® Index return by presidential term

Four-year annualized total return, 1960 to July 2024



Source: Bloomberg, Plancorp, Nationwide Retirement Institute, Nationwide Economics

The U.S. dollar and 10-year Treasuries have slumped

Shifting growth and interest rate dynamics have led the dollar's value to fall on a trade-weighted basis year-to-date. Counterintuitively, the dollar lost value after Liberation Day.

Similarly, the selloff in riskier assets did not prompt a flight to safety in Treasury 10-year notes as it typically does. Investors are registering their concerns about the overly harsh and chaotic tariff strategy.

Sell-off U.S. assets

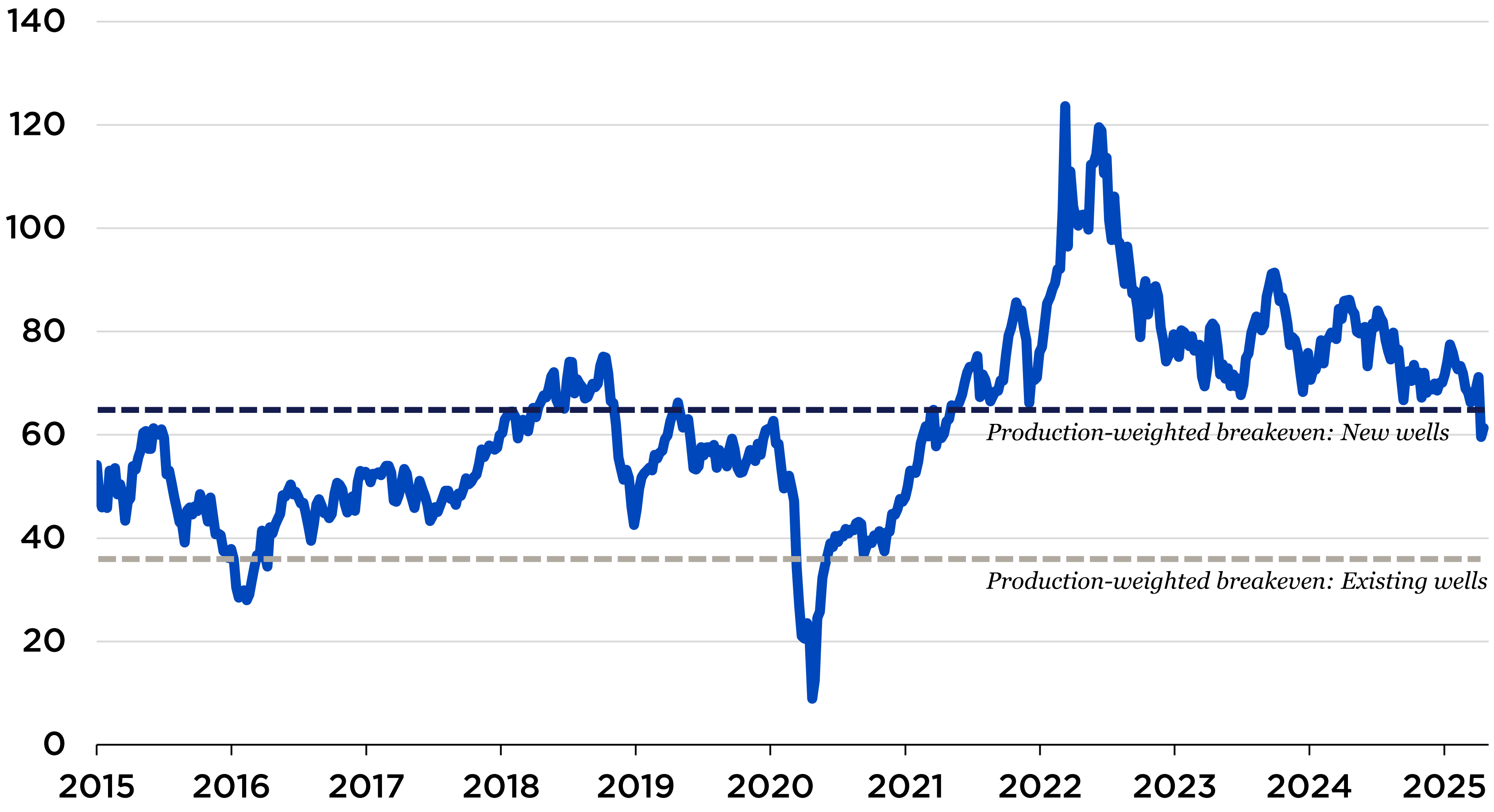
Source: Wall Street Journal, Federal Reserve Board, Haver Analytics, Nationwide Economics

Oil prices won't spark "Drill, baby drill"

One of the tenets of Treasury Secretary Bessent's 3-3-3 plan to stabilize the national debt is increasing U.S. domestic oil production by three million barrels per day. However, it will be hard to incentivize domestic producers to ramp up output unless crude oil prices trade persistently above US$65 per barrel.

West Texas Intermediate Spot Price

Dollars per barrel



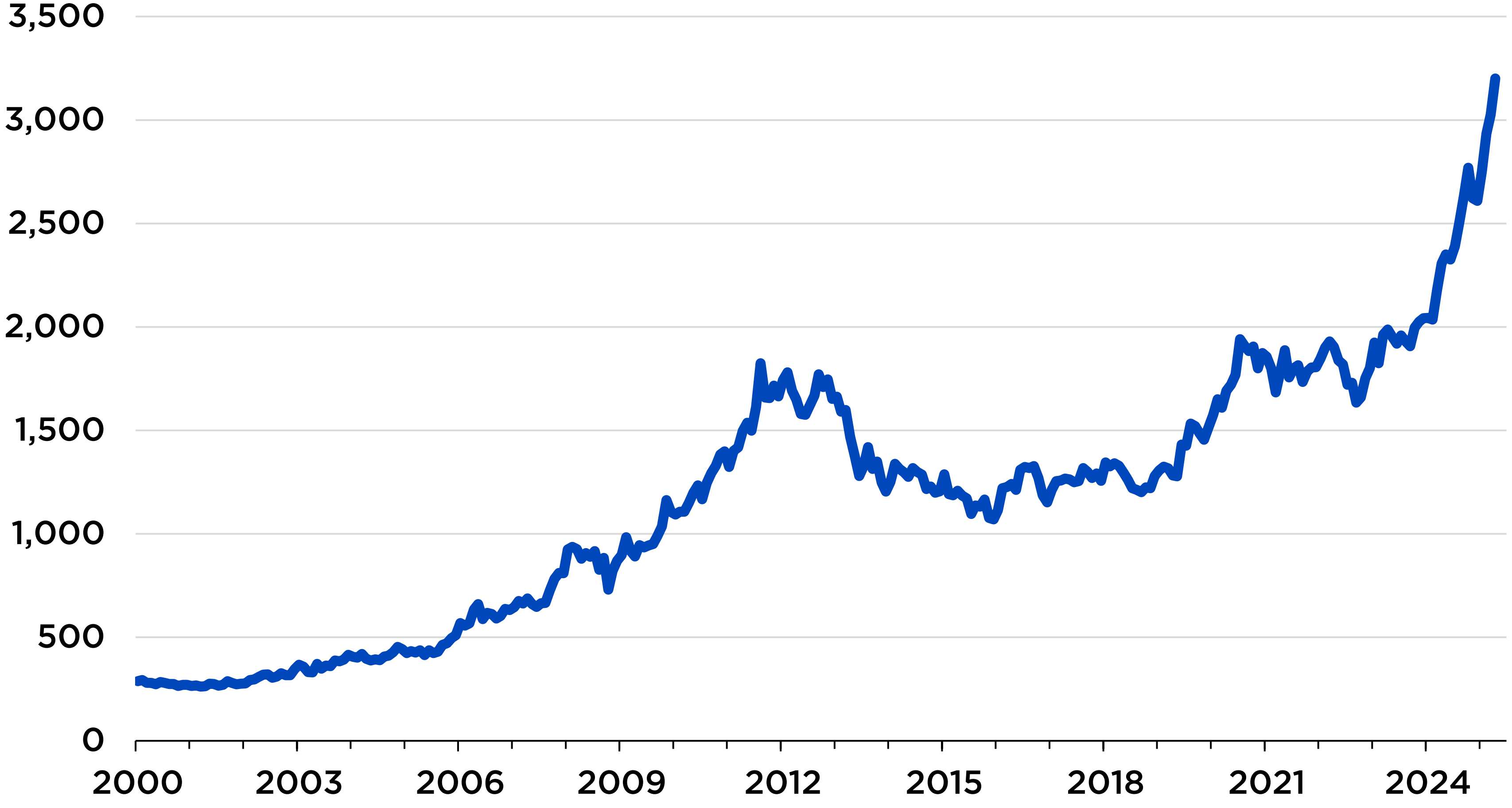
Source: Energy Information Administration, Dallas Fed, Nationwide Economics

Gold prices reach new highs

Gold prices have jumped to $3,500/ounce this year as investors seek safety from elevated economic and geopolitical uncertainties. As long as economic uncertainty remains high, the precious metal will likely continue to attract a safe haven bid.

LBMA Gold Price

EOP, U.S.$ per Troy ounce



Source: Wall Street Journal, Haver Analytics, Nationwide Economics

U.S. & Global Economy

Highlights

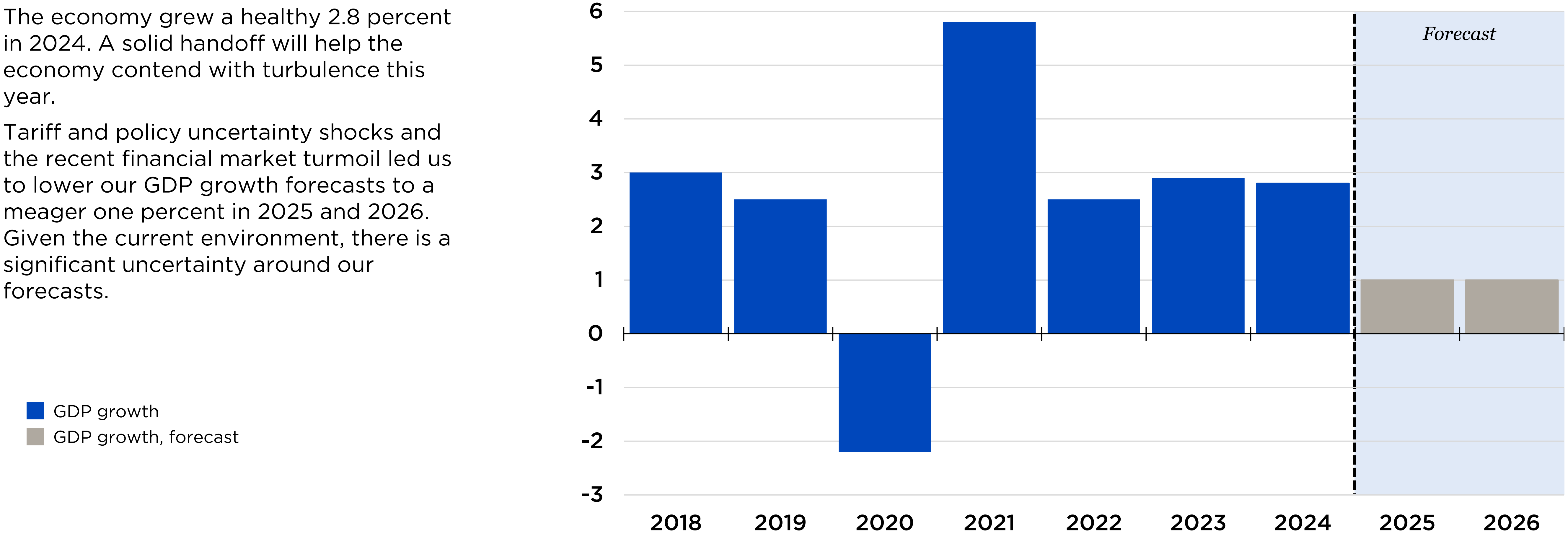
Weak economic growth forecasted this year and next

The economy grew a healthy 2.8 percent in 2024. A solid handoff will help the economy contend with turbulence this year.

Tariff and policy uncertainty shocks and the recent financial market turmoil led us to lower our GDP growth forecasts to a meager one percent in 2025 and 2026. Given the current environment, there is a significant uncertainty around our forecasts.

GDP growth – historical and forecast

Percent, annual average



Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

Where are we in the business cycle?

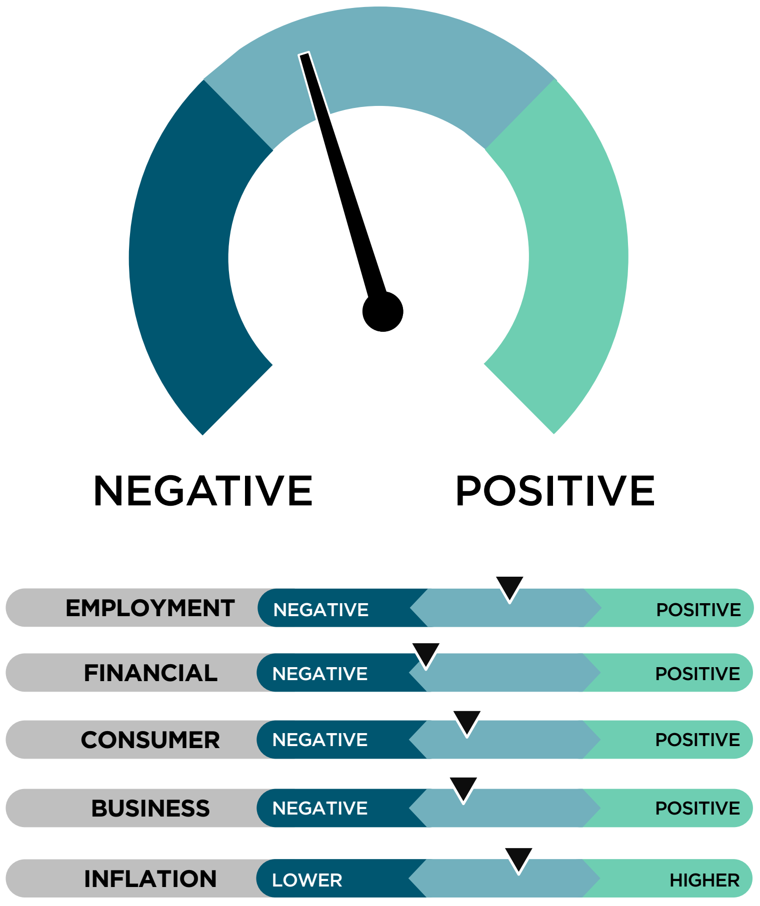
The economy was late-cycle before it was hit by the recent string of shocks. It is possible the economy will fall into a minor recession in the near term.

Slower growth expected ahead

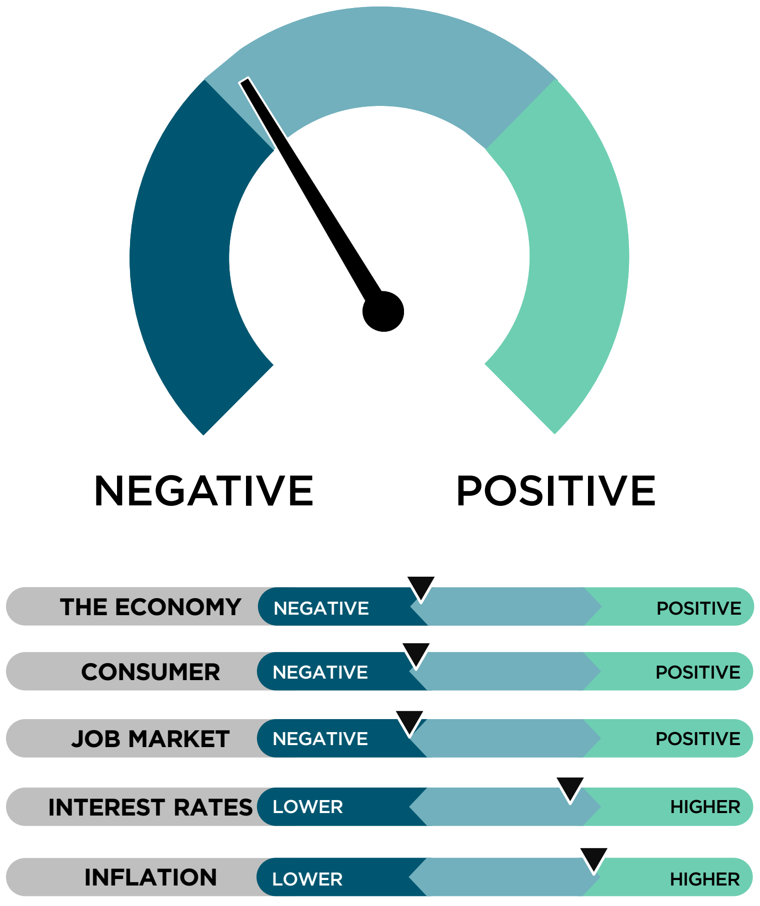
The net effect of the recent policy changes and financial market turmoil remains to be seen, but the economy now appears to be on a shakier footing.

We expect to see soft GDP growth over the next year as consumers and businesses rein in spending because of tariffs, policy uncertainty, high interest rates, and persistent underlying inflation.

Current Scorecard



Future Scorecard



Source: Nationwide Economics

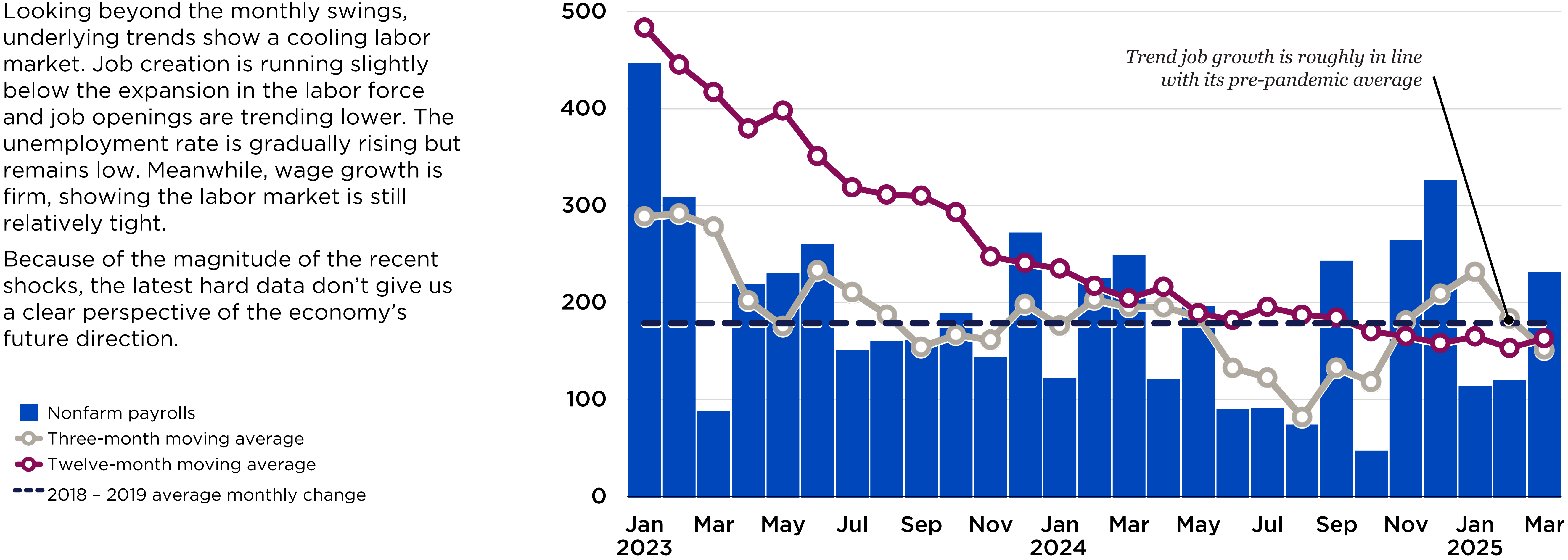
A downshifting jobs machine

Looking beyond the monthly swings, underlying trends show a cooling labor market. Job creation is running slightly below the expansion in the labor force and job openings are trending lower. The unemployment rate is gradually rising but remains low. Meanwhile, wage growth is firm, showing the labor market is still relatively tight.

Because of the magnitude of the recent shocks, the latest hard data don't give us a clear perspective of the economy's future direction.

Nonfarm payrolls growth

Thousands



Source: Bureau of Labor Statistics, Haver Analytics, Nationwide Economics

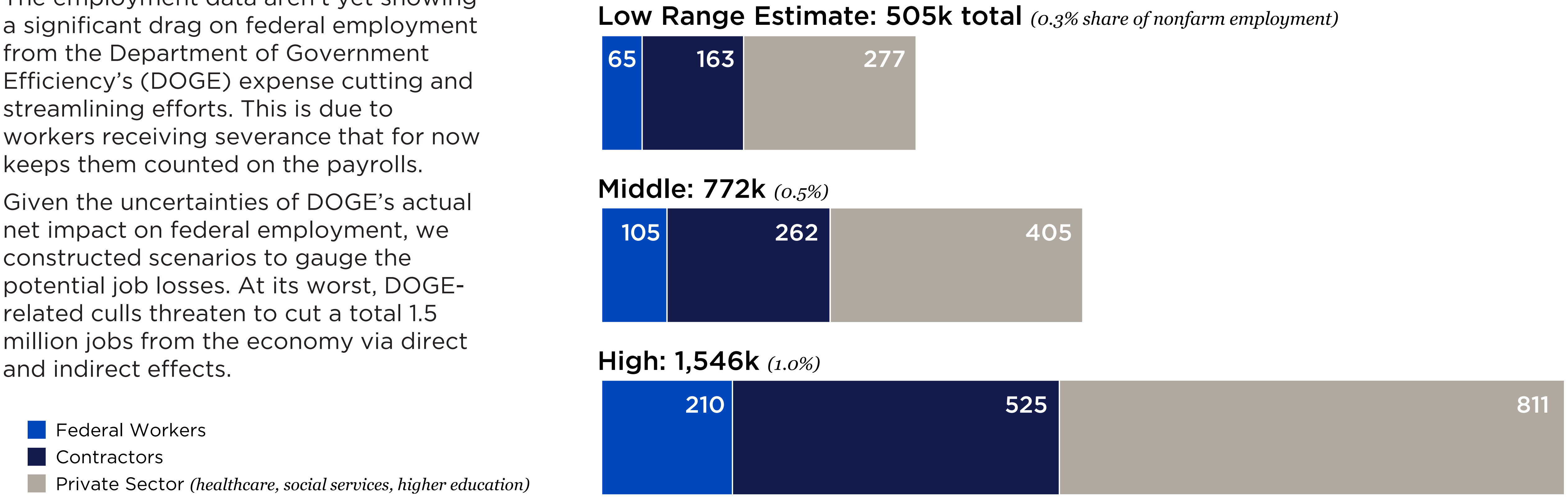
DOGE efforts could pose a meaningful drag on employment

The employment data aren't yet showing a significant drag on federal employment from the Department of Government Efficiency's (DOGE) expense cutting and streamlining efforts. This is due to workers receiving severance that for now keeps them counted on the payrolls.

Given the uncertainties of DOGE's actual net impact on federal employment, we constructed scenarios to gauge the potential job losses. At its worst, DOGE-related culls threaten to cut a total 1.5 million jobs from the economy via direct and indirect effects.

DOGE direct and indirect job losses

Thousands



Source: U.S. Treasury, Bureau of Labor Statistics, Brookings, Nationwide Economics

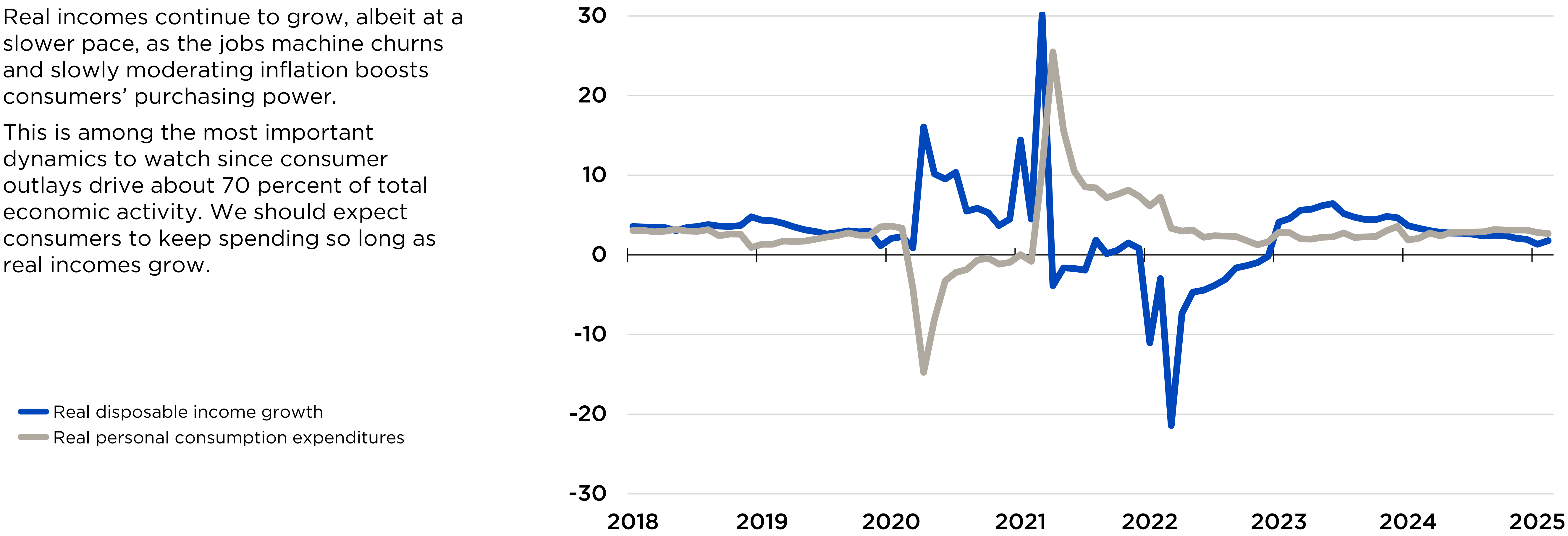
Real income growth underpins rising consumer outlays

Real incomes continue to grow, albeit at a slower pace, as the jobs machine churns and slowly moderating inflation boosts consumers' purchasing power.

This is among the most important dynamics to watch since consumer outlays drive about 70 percent of total economic activity. We should expect consumers to keep spending so long as real incomes grow.

Real income and spending growth

Year-over-year percent change



Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

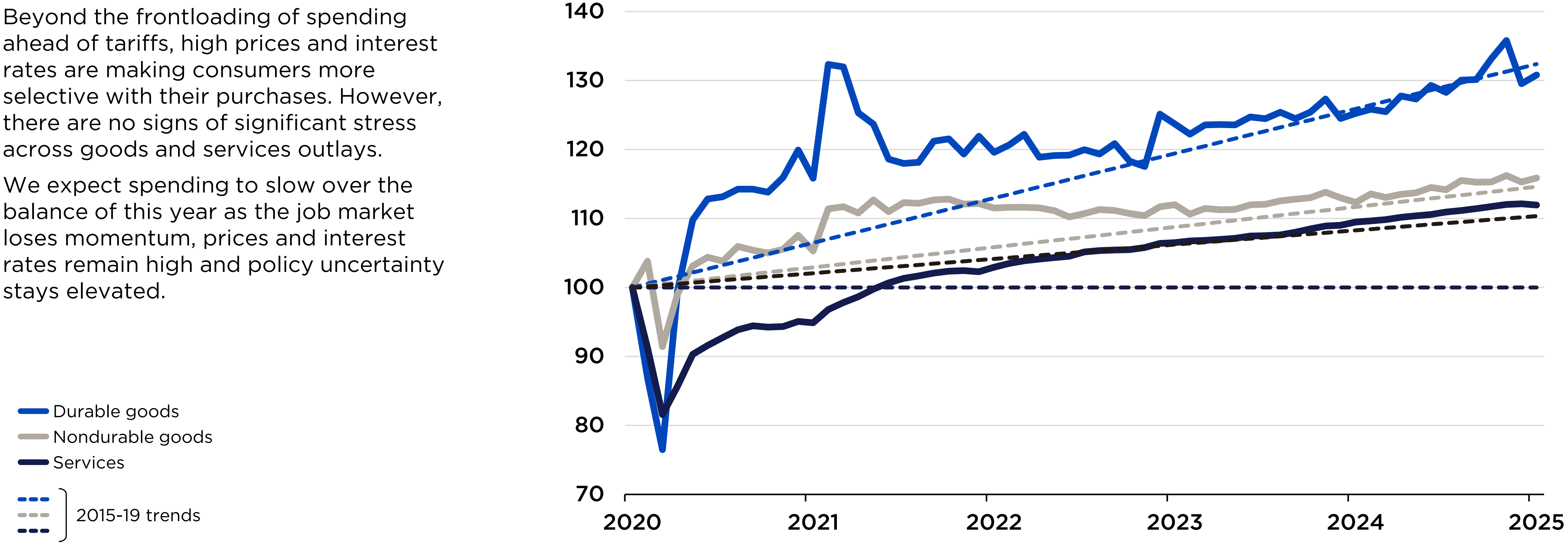
Consumers expected to become more selective

Beyond the frontloading of spending ahead of tariffs, high prices and interest rates are making consumers more selective with their purchases. However, there are no signs of significant stress across goods and services outlays.

We expect spending to slow over the balance of this year as the job market loses momentum, prices and interest rates remain high and policy uncertainty stays elevated.

Real consumer spending

Index, Feb. 2020 = 100

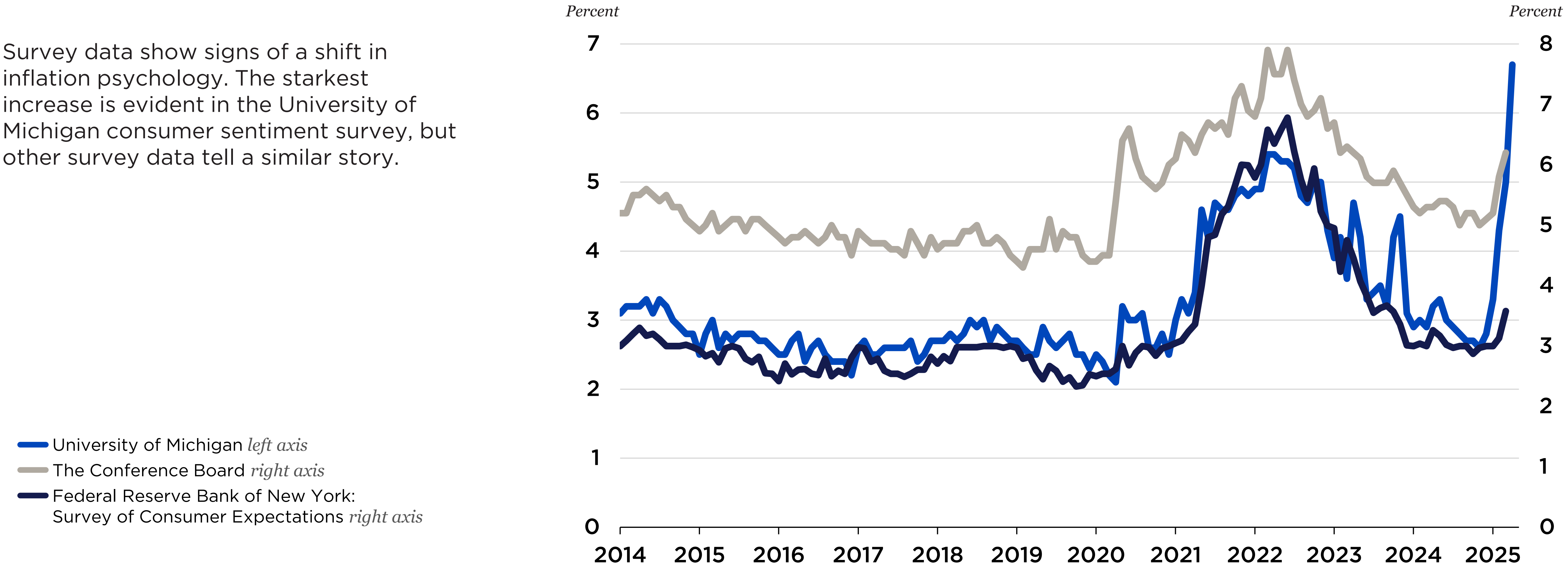


Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

Inflation expectations have jumped

Survey data show signs of a shift in inflation psychology. The starkest increase is evident in the University of Michigan consumer sentiment survey, but other survey data tell a similar story.

Year-ahead inflation expectations



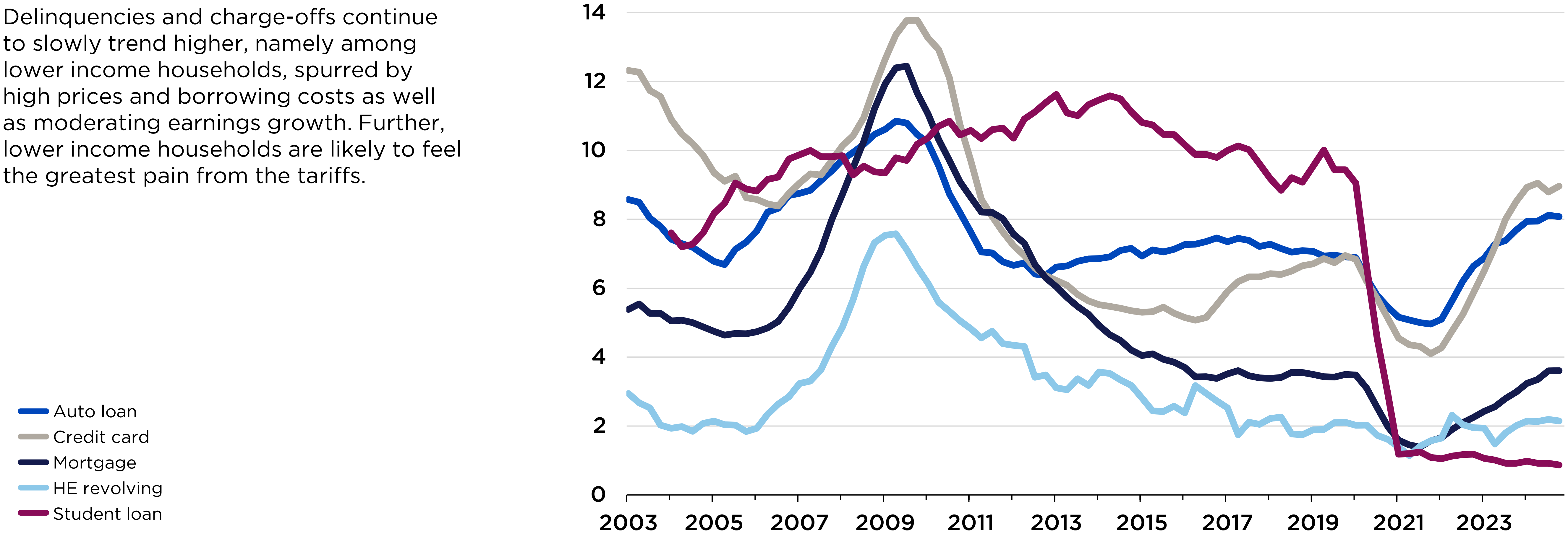
Source: University of Michigan, The Conference Board, Federal Reserve Bank of New York, Haver Analytics, Nationwide Economics

Rising delinquencies warrant caution

Delinquencies and charge-offs continue to slowly trend higher, namely among lower income households, spurred by high prices and borrowing costs as well as moderating earnings growth. Further, lower income households are likely to feel the greatest pain from the tariffs.

Transition into delinquency (30+) by loan type

Percent of balance



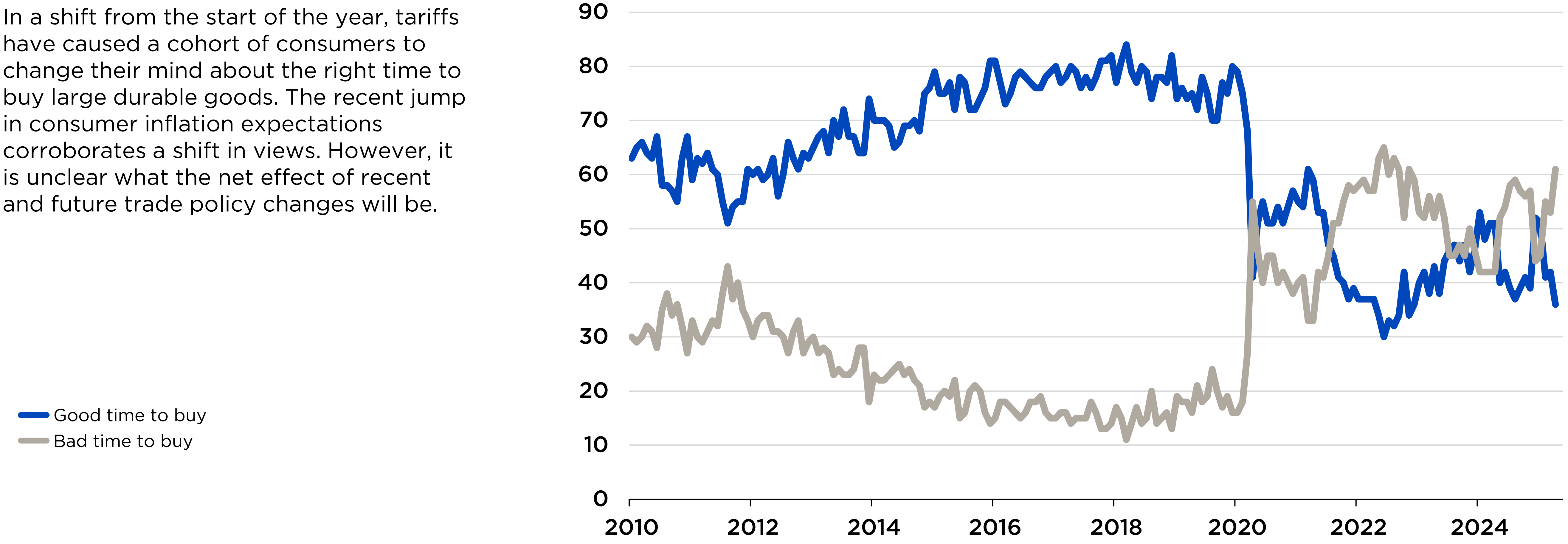
Source: New York Fed Consumer Credit Panel/Equifax

Some consumers fear higher prices

In a shift from the start of the year, tariffs have caused a cohort of consumers to change their mind about the right time to buy large durable goods. The recent jump in consumer inflation expectations corroborates a shift in views. However, it is unclear what the net effect of recent and future trade policy changes will be.

Buying conditions for large household durables

Percent of balance



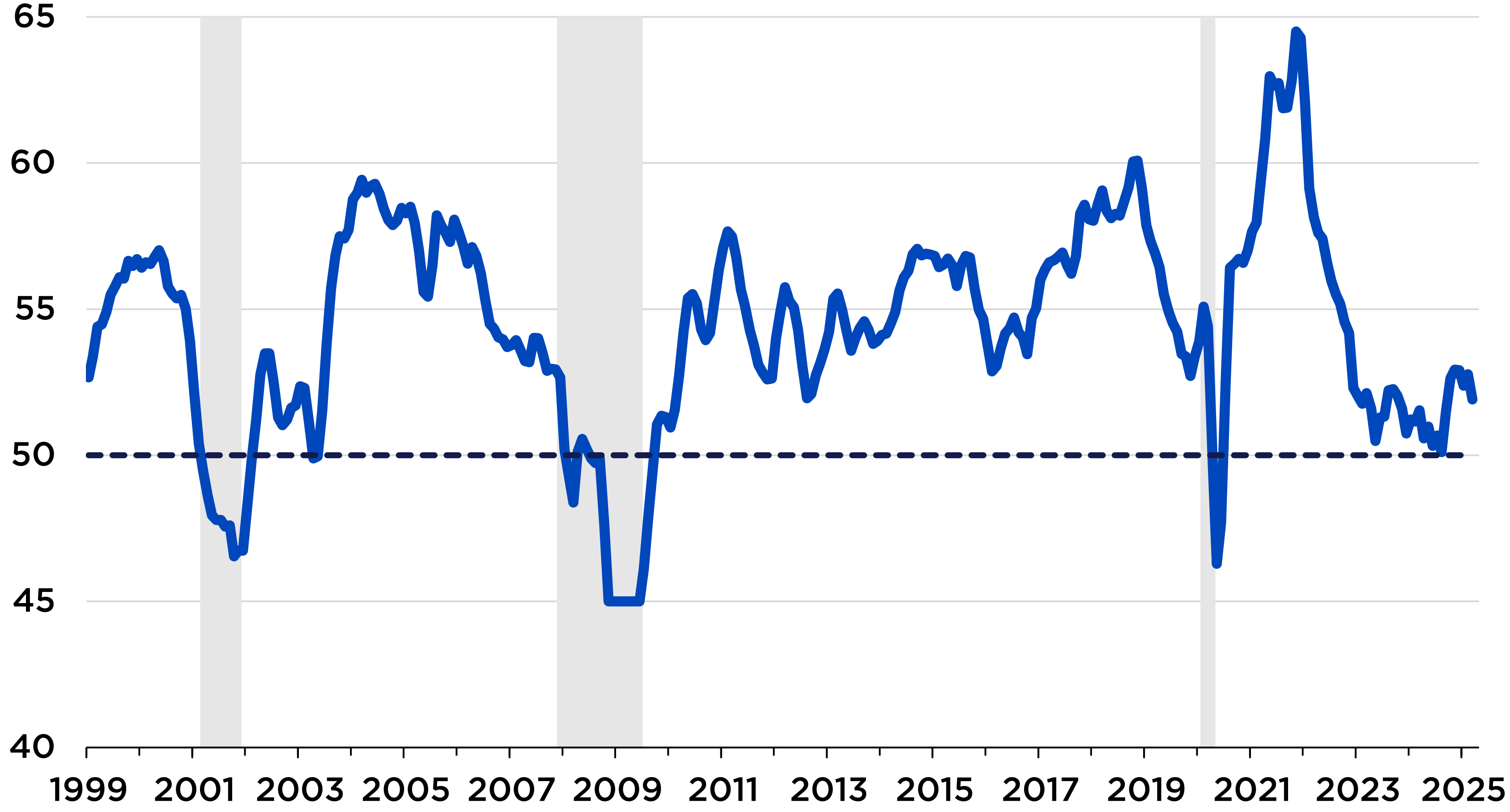
Source: University of Michigan, Bloomberg, Nationwide Economics

ISM survey readings have lost some momentum

ISM Report on Business, which includes both Manufacturing (PMI) and Services (PMI), signaled cooler growth at the end of Q1 2025, largely because of concerns about trade policy. We foresee softer ISM readings as the economy expands at a lackluster rate.

Economy-weighted ISM composite PMI

Index; > 50 = expansion; three-month moving average



Source: Bureau of Economics Analysis, Institute for Supply Management, Haver Analytics, Nationwide Economics

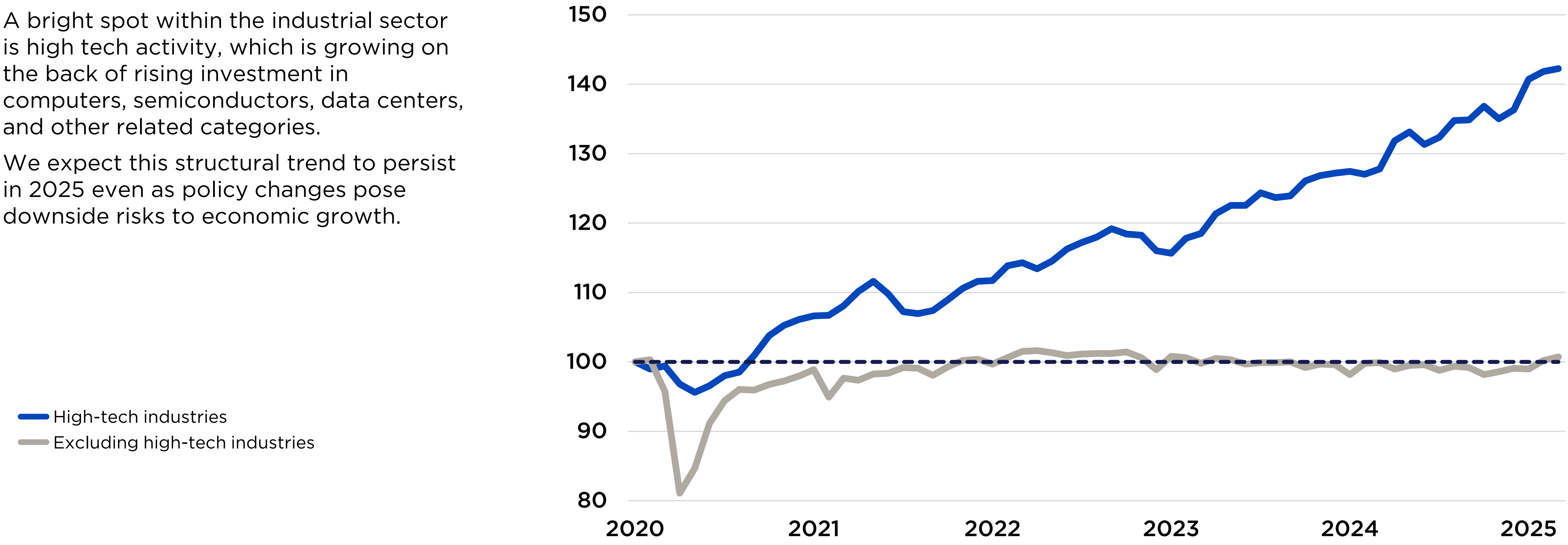
High tech investment is a key propeller of business investment

A bright spot within the industrial sector is high tech activity, which is growing on the back of rising investment in computers, semiconductors, data centers, and other related categories.

We expect this structural trend to persist in 2025 even as policy changes pose downside risks to economic growth.

Industrial production

Index; Jan. 2020 = 100



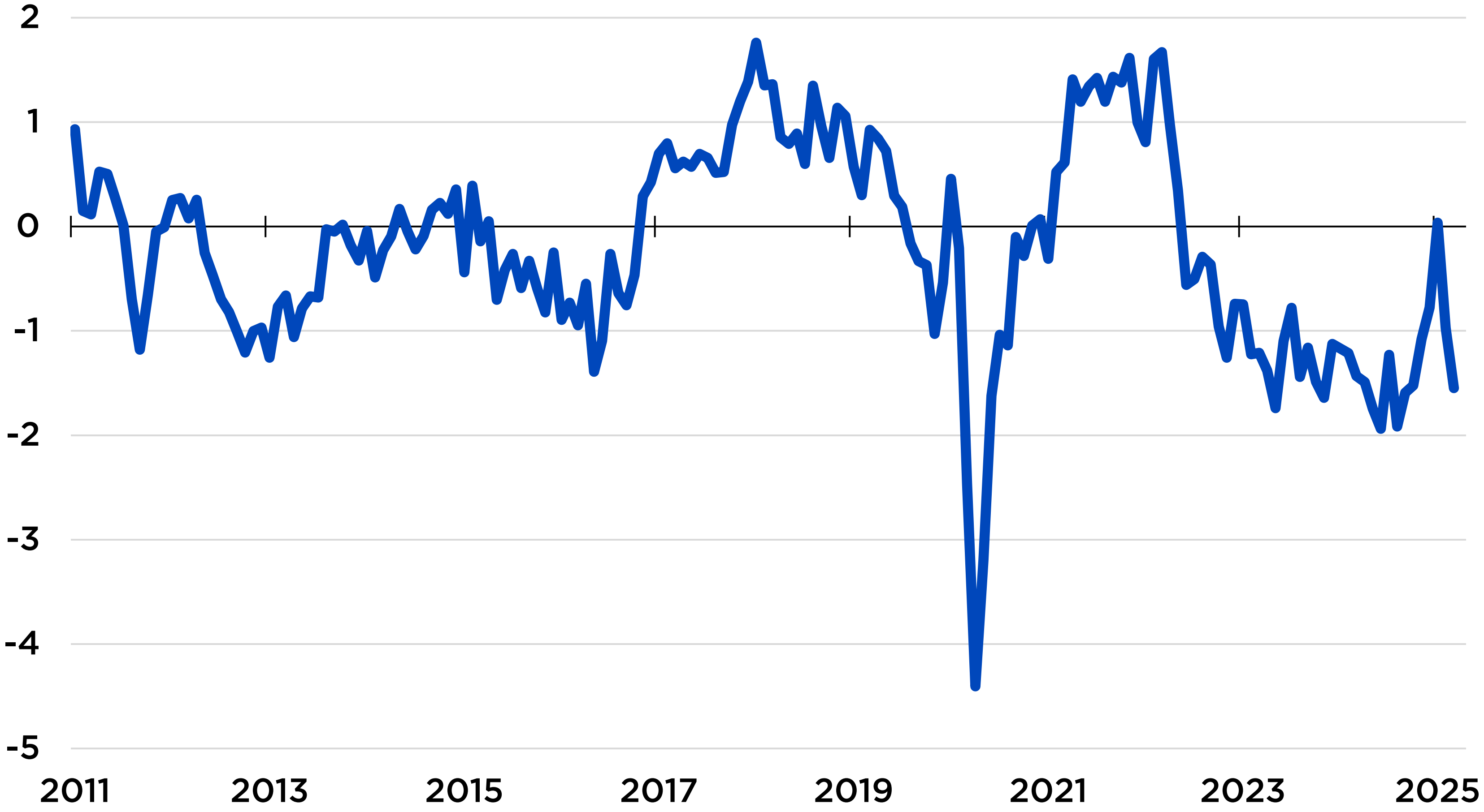
Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

Uncertainty derails capital spending plans

Recent survey data have cast a dim light on current conditions and the economic outlook. Investment intentions have pulled back sharply as economic policy uncertainty spiked.

Capital expenditure plans from regional Fed surveys

Average z-score



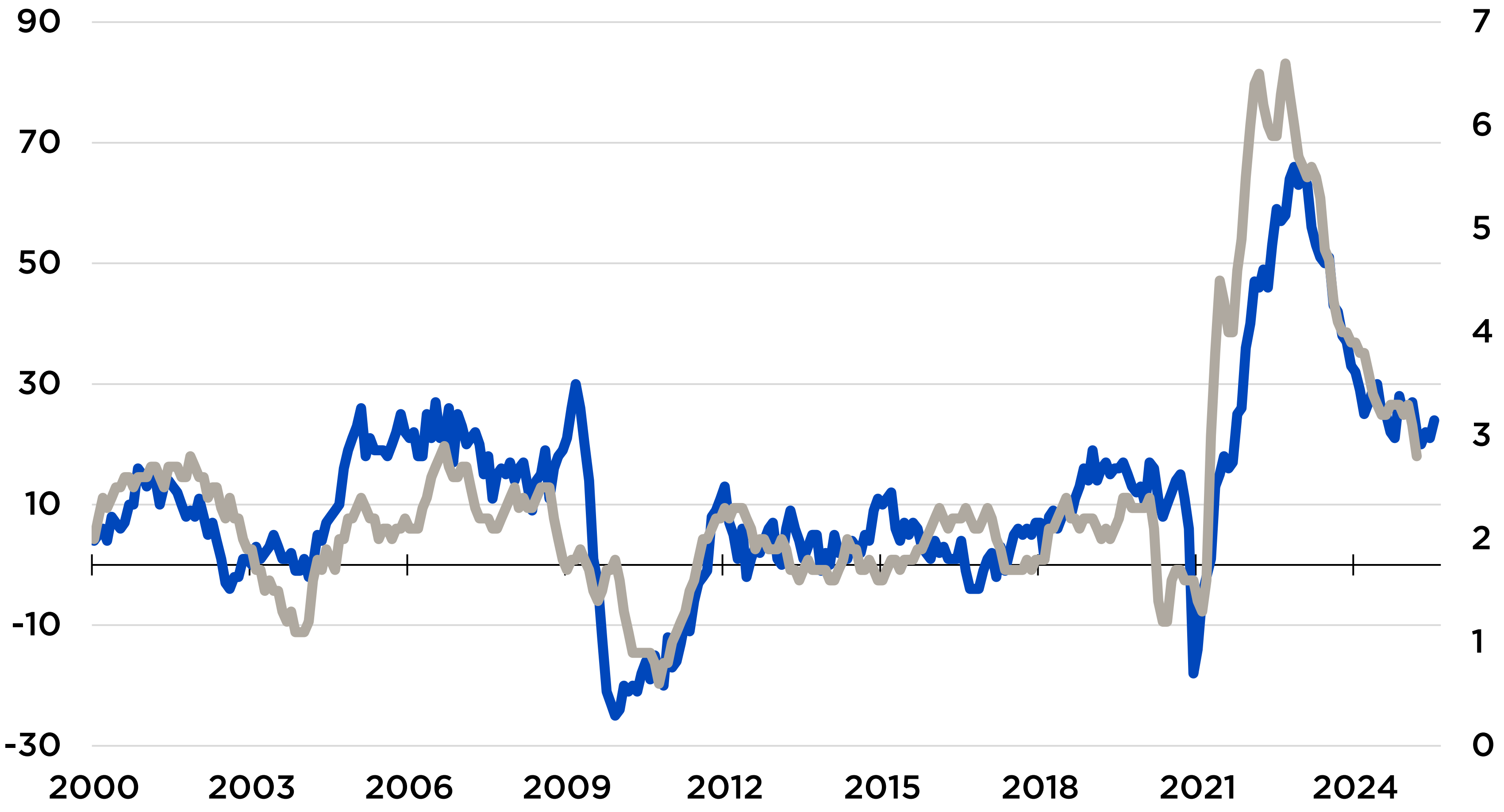
Source: Regional Fed surveys, Haver Analytics, Nationwide Economics

Slowly diminishing pricing power

U.S. companies have been gradually losing pricing power as consumers become more selective with their purchases, particularly at the lower end of the income ladder. This will weigh on profit margins and lead to greater scrutiny of costs among U.S. corporations.

This dynamic will be crucial to watch going forward since companies may try to pass on tariffs to their customers.

Easing pricing power portends lower inflation



Source: National Federation of Independent Business, Bureau of Labor Statistics, Haver Analytics, Nationwide Economics

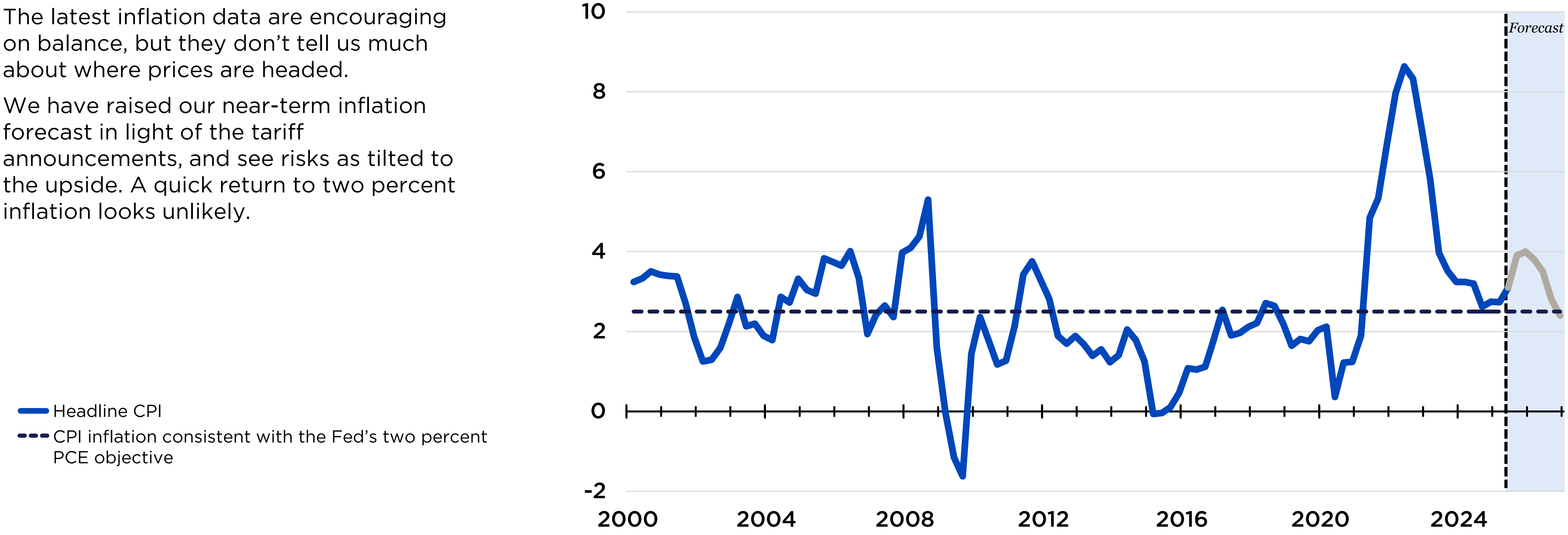
Tariffs will likely spark an inflation reacceleration

The latest inflation data are encouraging on balance, but they don't tell us much about where prices are headed.

We have raised our near-term inflation forecast in light of the tariff announcements, and see risks as tilted to the upside. A quick return to two percent inflation looks unlikely.

Headline CPI inflation

Year-over-year percent change



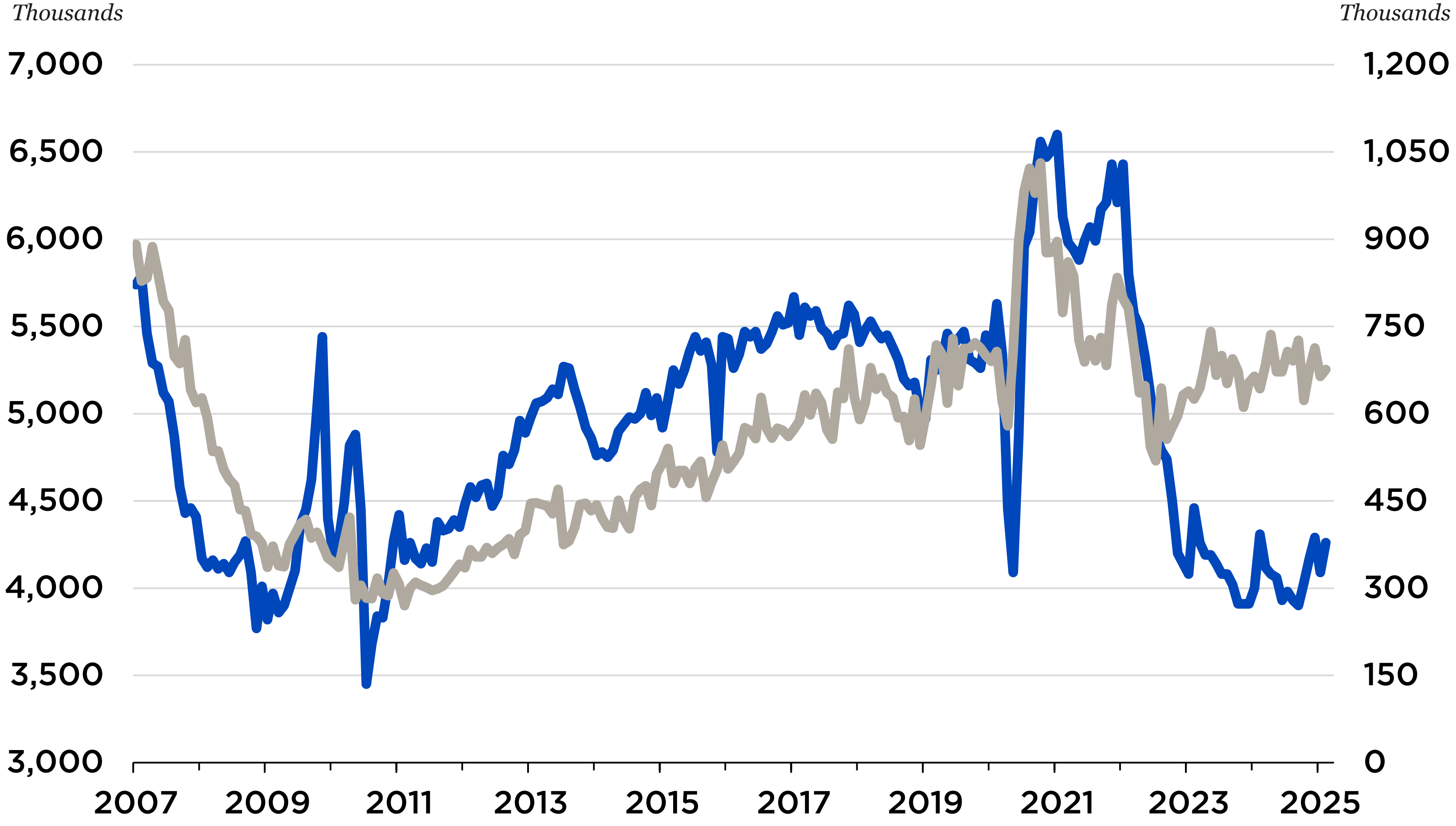
Source: Bureau of Labor Statistics, Haver Analytics, Nationwide Economics

Housing sector is stuck in a low gear

High mortgage rates are posing strong headwinds on existing home sales. New home sales are a relative bright spot because of lingering pent-up demand, lower price points, and financial incentives offered to buyers by sellers. Meanwhile, residential construction activity seems to have bottomed but remains lackluster.

Changes to immigration and trade policy threaten to weaken housing demand and homebuilding activity.

Housing activity



Source: National Association of Realtors, Haver Analytics, Nationwide Economics

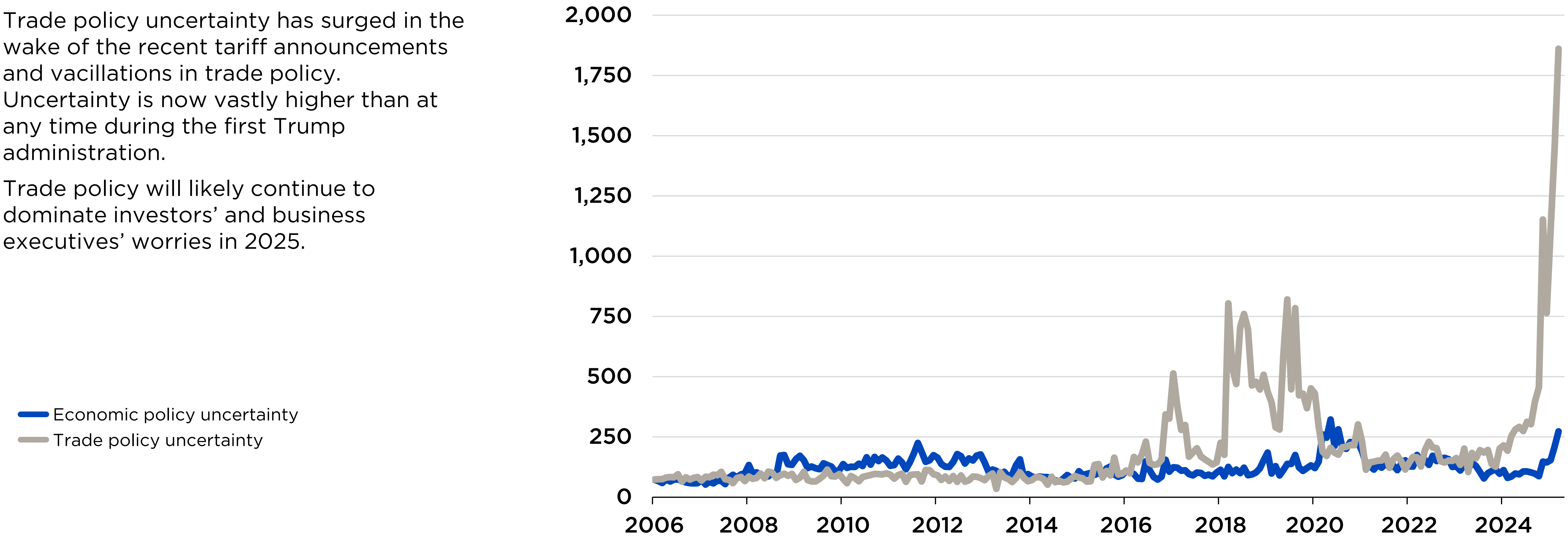
Trade dominates investor and business worries

Trade policy uncertainty has surged in the wake of the recent tariff announcements and vacillations in trade policy. Uncertainty is now vastly higher than at any time during the first Trump administration.

Trade policy will likely continue to dominate investors' and business executives' worries in 2025.

Trade policy uncertainty

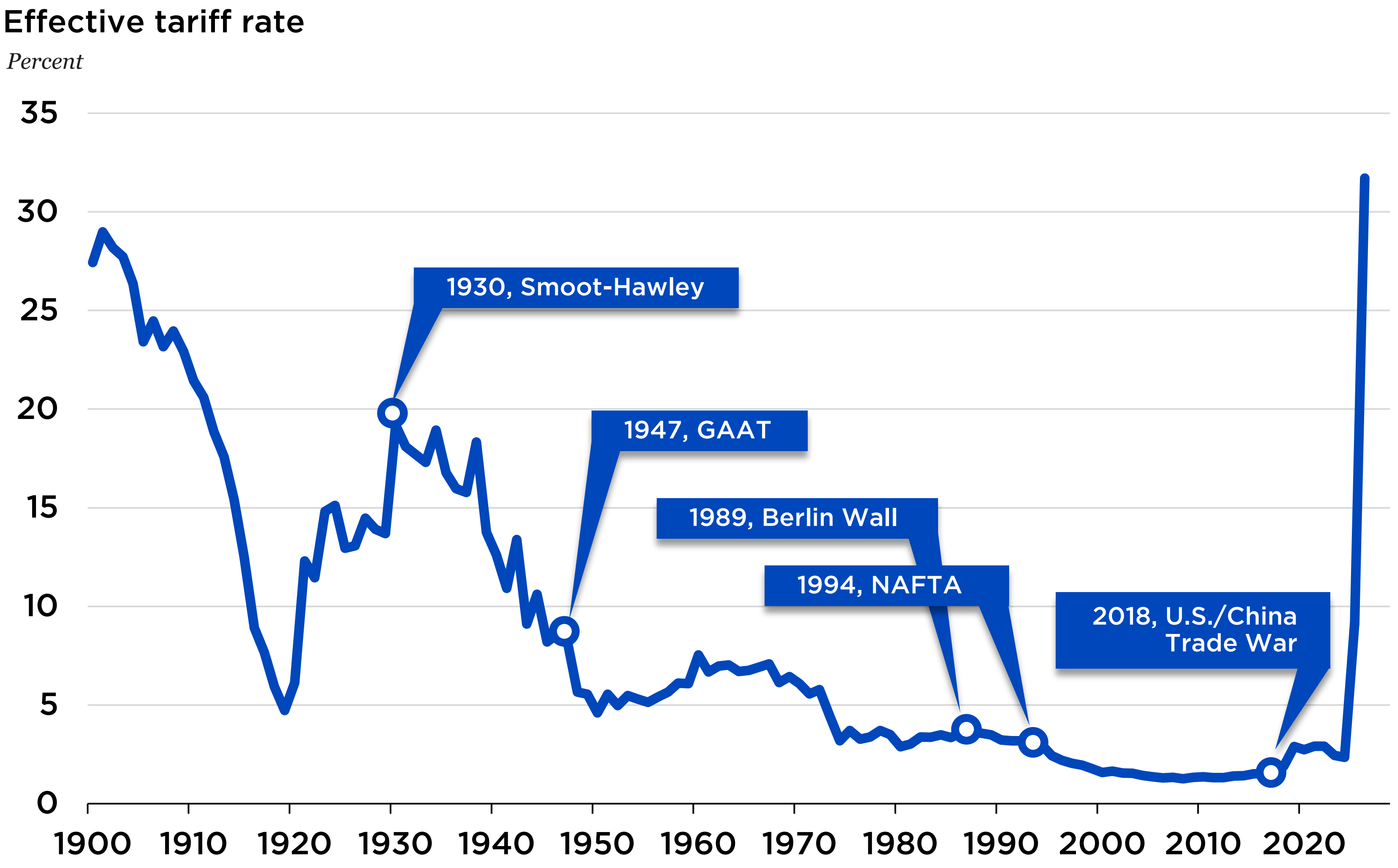
Index; 2015 = 100



Source: PolicyUncertainty.com, Matteo Iacoviello, Haver Analytics, Nationwide Economics

Protectionism is on the rise

Even after pausing the highest levies, the effective U.S. tariff rate is still at its highest since before WWI. President Trump appears to want to enact a protectionist trade policy. The broader goal is seemingly to build a stronger domestic industrial sector.



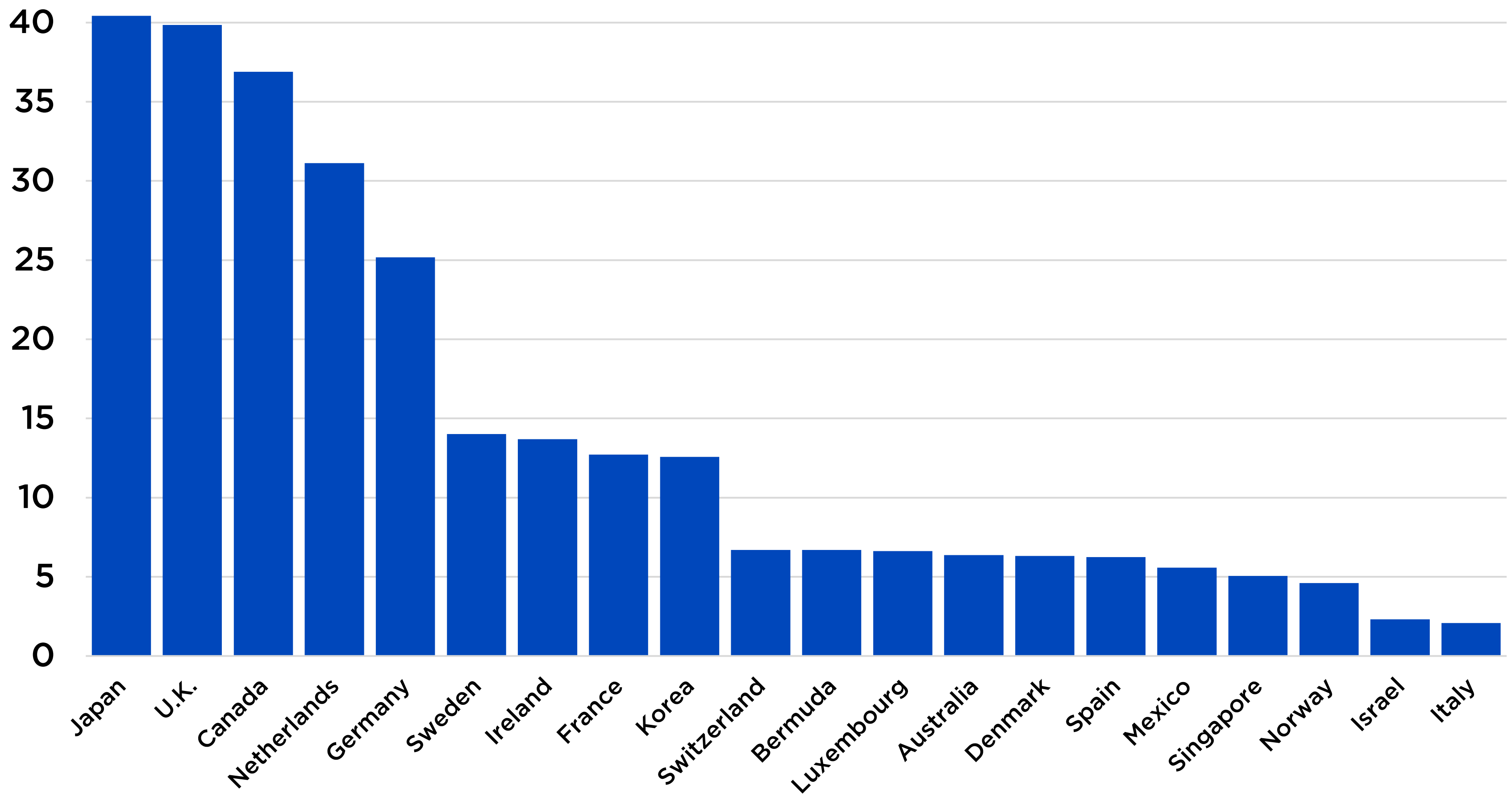
Source: Nationwide Economics, Census Bureau, Haver Analytics, Congressional Research Service

Tariffs threaten to dampen foreign investment

Aside from possibly tempering portfolio investment, the administration's trade agenda also could dampen long-term foreign investment inflows. All else equal, this could make capital scarcer in the domestic U.S. economy and raise interest rates.

Foreign direct investment into the U.S., 2024

Billions of U.S. $



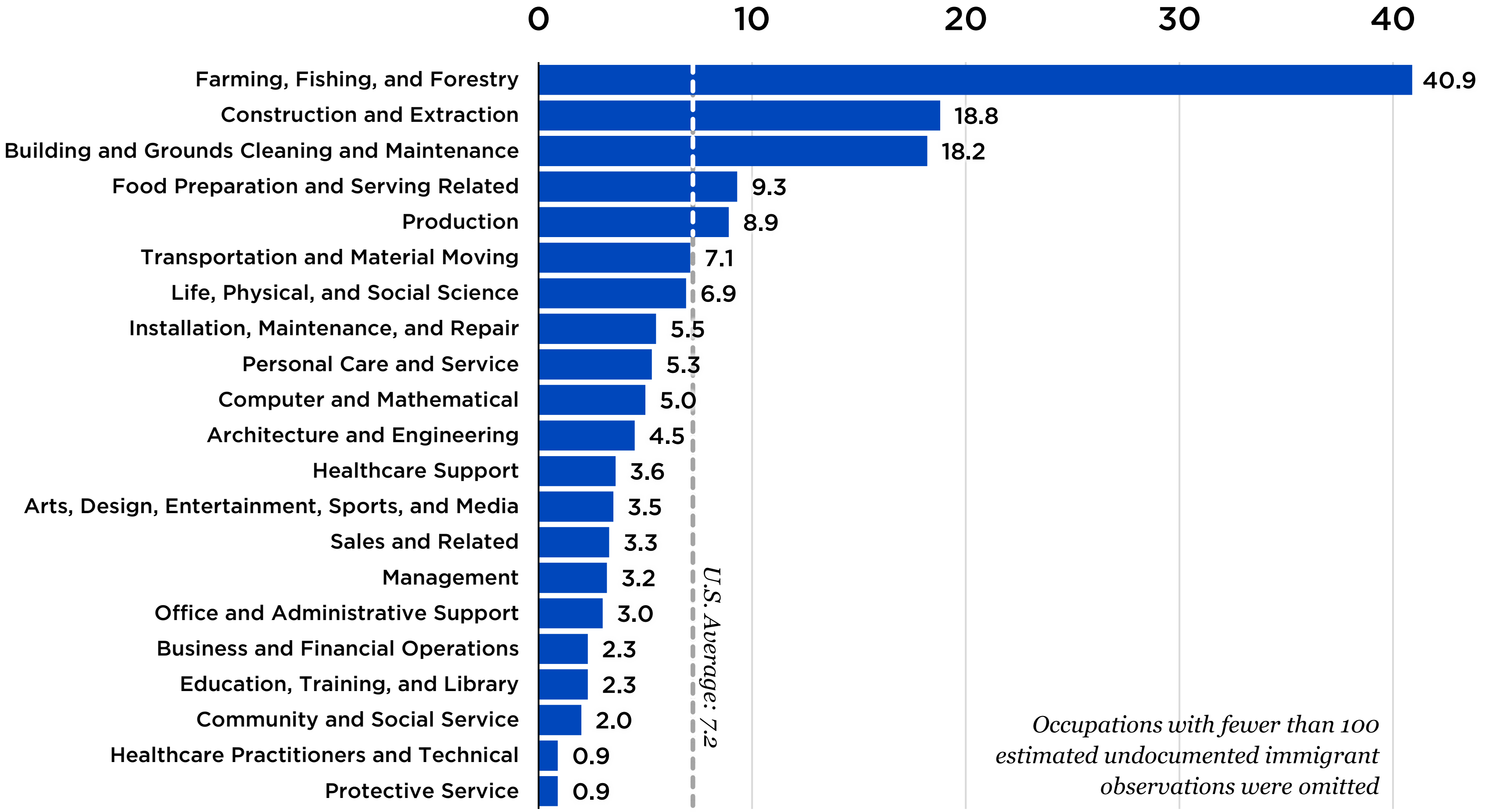
Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

Immigration clampdown reduces labor supply

The influx of migrants in the post-pandemic era loosened labor supply constraints, filled needed low-skilled jobs, and helped cool wage inflation. The Trump administration has begun to enact its desired immigration agenda, which reduces the pool of available labor especially in the agriculture and construction sectors.

Estimated undocumented immigrant employment share by occupation

Percent



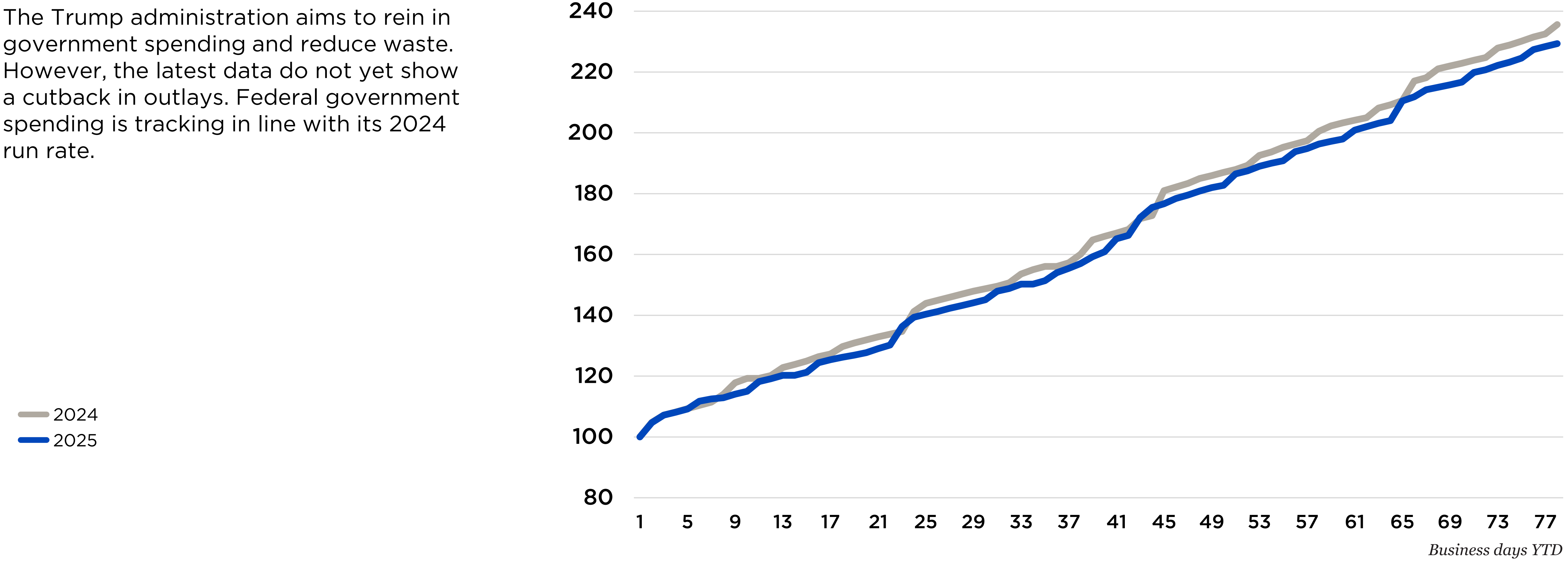
Source: The Burning Glass Institute; authors' calculations using CBO, 'The Demographic Outlook: 2024 to 2054'; Baker, B. and Warren, R., April 2024, U.S. Department of Homeland Security: Office of Homeland Security Statistics, 'Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2018 - January 2022'; American Community Survey, U.S. Consensus Bureau, 2023 1-year estimates

No significant fiscal contraction, yet

The Trump administration aims to rein in government spending and reduce waste. However, the latest data do not yet show a cutback in outlays. Federal government spending is tracking in line with its 2024 run rate.

Year-to-date federal government non-interest spending

Index, Spending on first business day of calendar year = 100



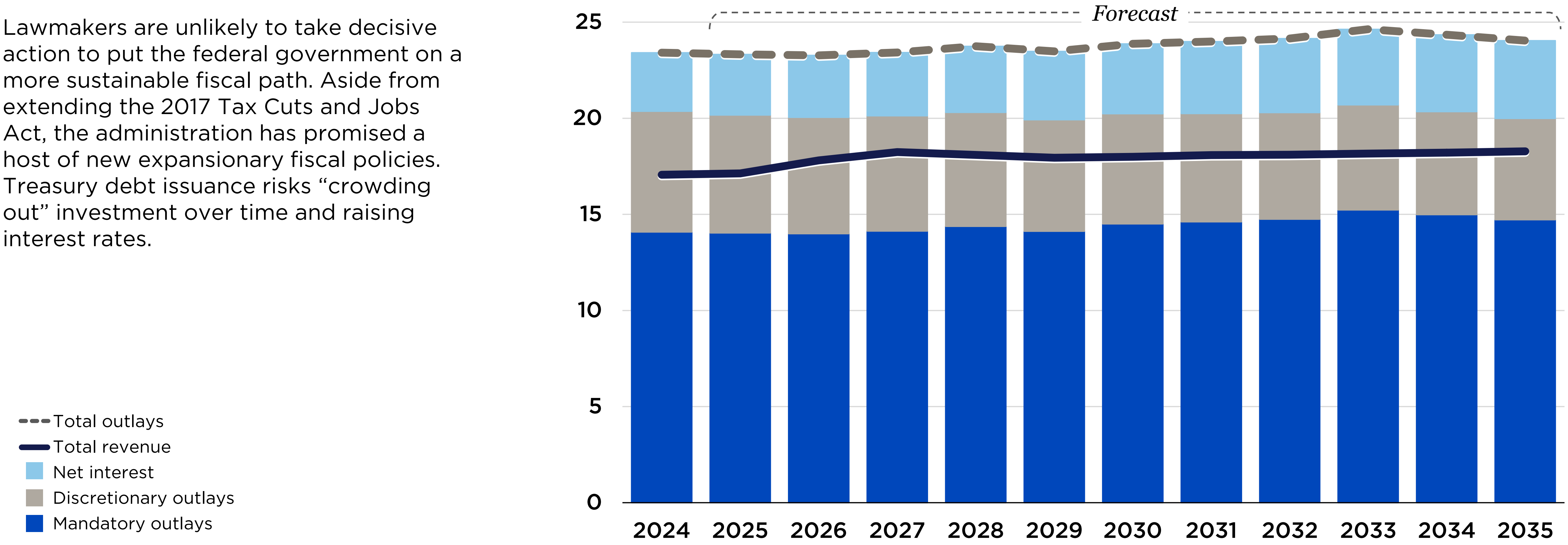
Source: Nationwide Economics, Department of Treasury, Haver Analytics

No belt tightening in Washington

Lawmakers are unlikely to take decisive action to put the federal government on a more sustainable fiscal path. Aside from extending the 2017 Tax Cuts and Jobs Act, the administration has promised a host of new expansionary fiscal policies. Treasury debt issuance risks "crowding out" investment over time and raising interest rates.

Federal government fiscal stance

Percent of GDP



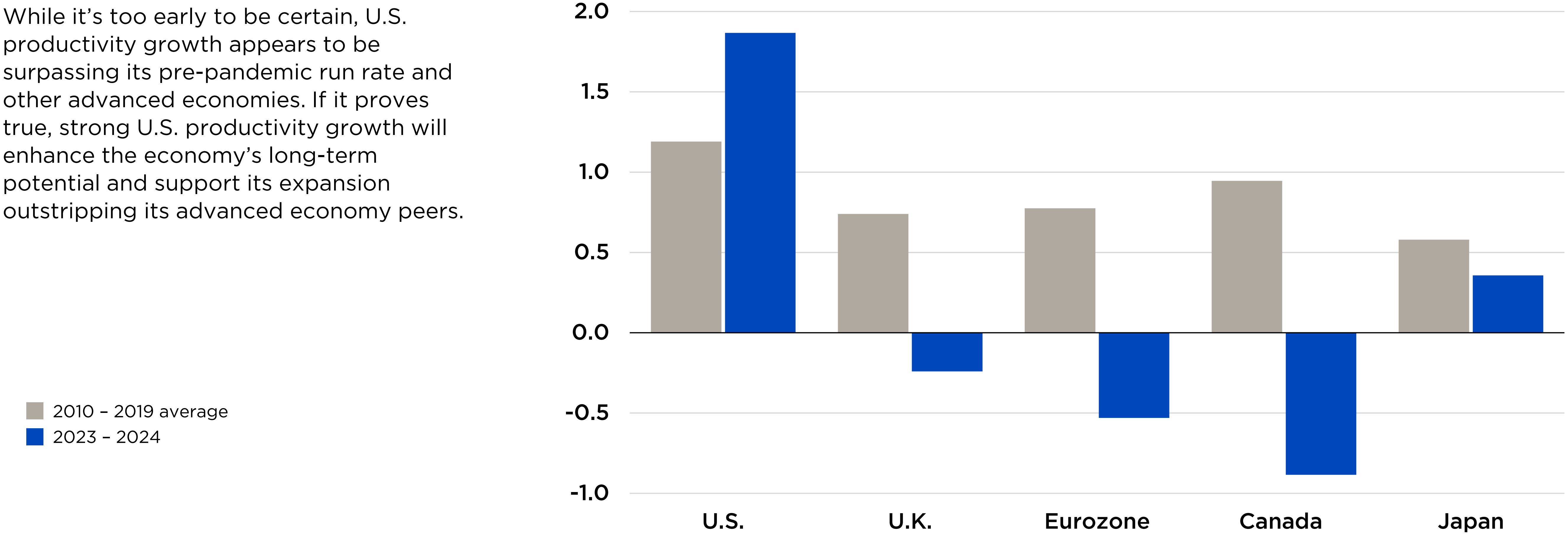
Source: Congressional Budget Office, Nationwide Economics

U.S. productivity growth outshines its peers

While it's too early to be certain, U.S. productivity growth appears to be surpassing its pre-pandemic run rate and other advanced economies. If it proves true, strong U.S. productivity growth will enhance the economy's long-term potential and support its expansion outstripping its advanced economy peers.

Productivity growth

Year-over-year percent change



Note: Output per person

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Office for National Statistics, Statistics Canada, Cabinet Office/Ministry of Health, Labour & Welfare, European Central Bank, Haver Analytics, Nationwide Economics

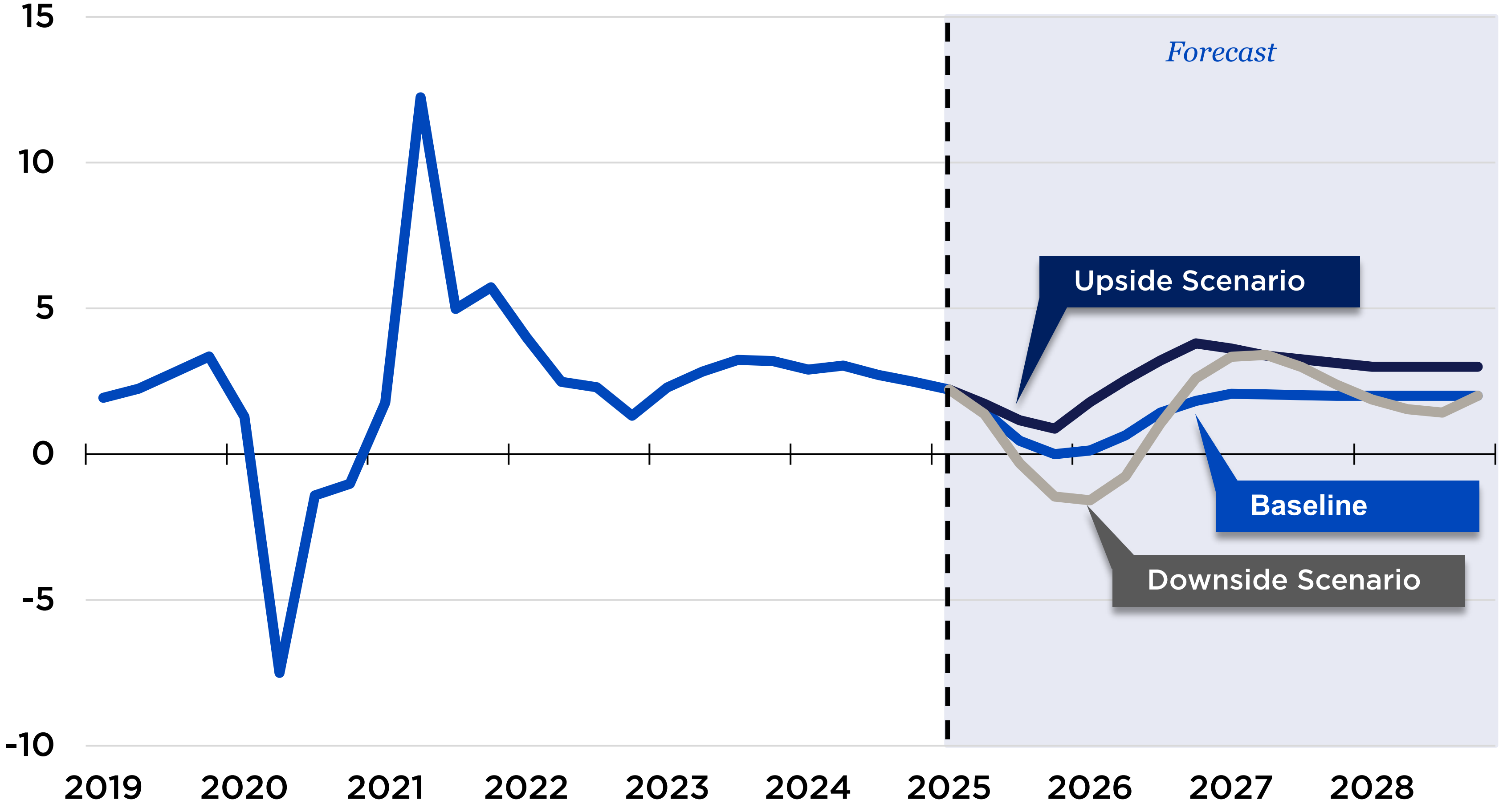
Upside and downside GDP growth scenarios

We constructed upside and downside scenarios to assess the potential implications of the Trump administration's policy agenda. On the upside, aggressive deregulation, lower tariff and non-tariff barriers, fresh net new tax cuts and an AI-led productivity boom could unleash faster growth.

On the downside, a global trade war, reductions in federal spending and employment, and significantly slower immigration could push the U.S. economy into a recession.

Real GDP growth

Year-over-year percent change



Source: Oxford Economics, Nationwide Economics

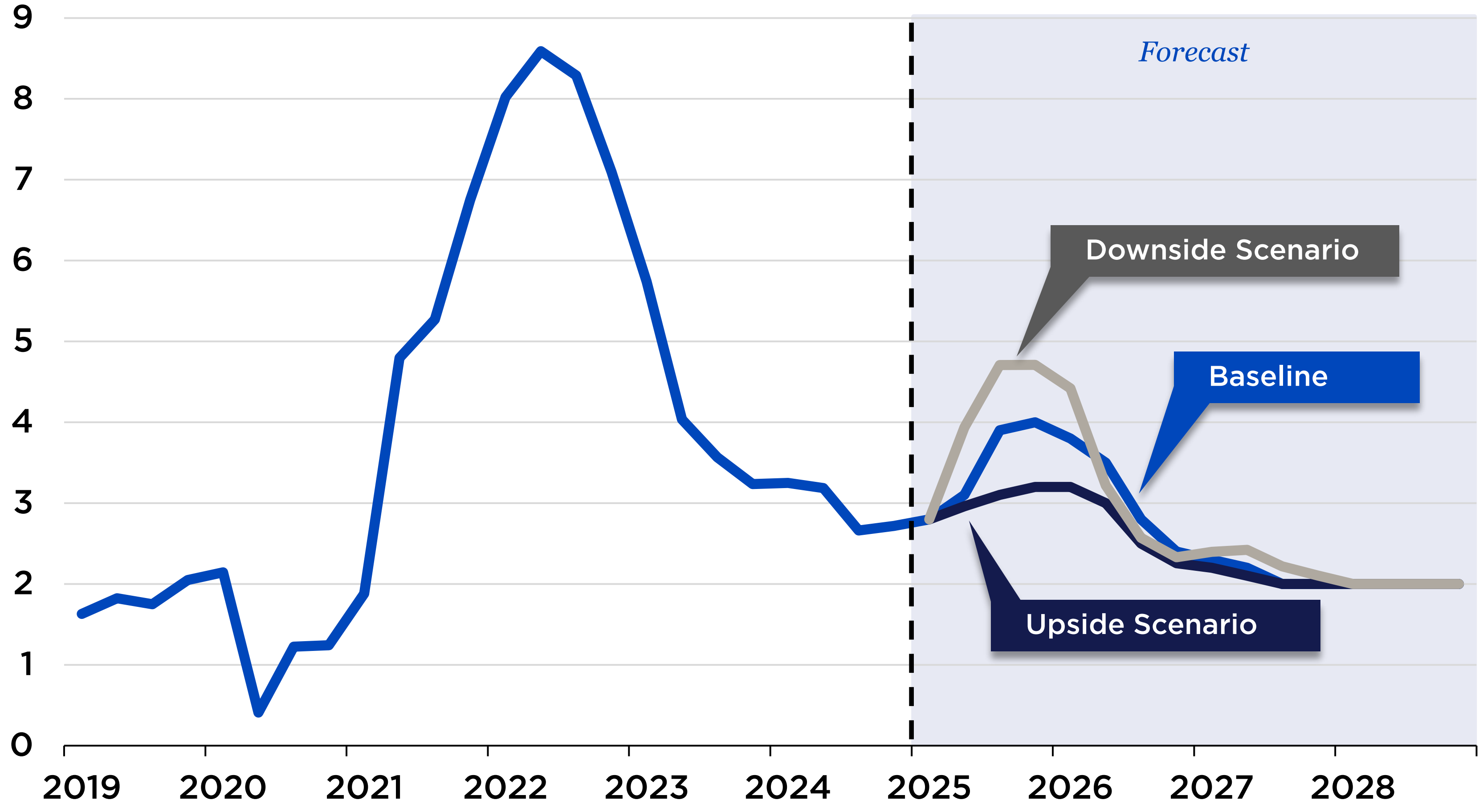
Upside and downside inflation scenarios

On the upside, the AI-led productivity boosts the economy's potential and caps inflation pressures even as GDP growth accelerates relative to our baseline forecast.

On the downside, the net effect of a trade war and very restrictive immigration likely pushes inflation well above baseline in late 2025 and early 2026, before the recession tames prices pressures.

CPI inflation

Year-over-year percent change



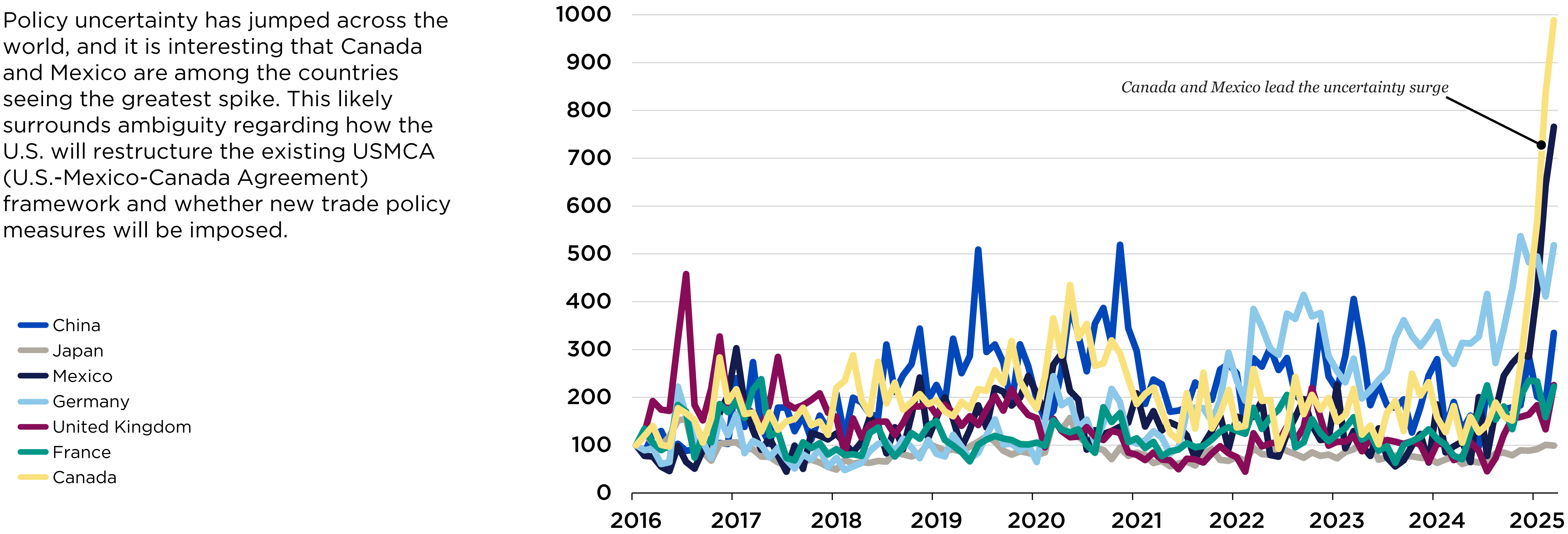
Source: Oxford Economics, Nationwide Economics

Uncertainty surges most in North America

Policy uncertainty has jumped across the world, and it is interesting that Canada and Mexico are among the countries seeing the greatest spike. This likely surrounds ambiguity regarding how the U.S. will restructure the existing USMCA (U.S.-Mexico-Canada Agreement) framework and whether new trade policy measures will be imposed.

Economic policy uncertainty

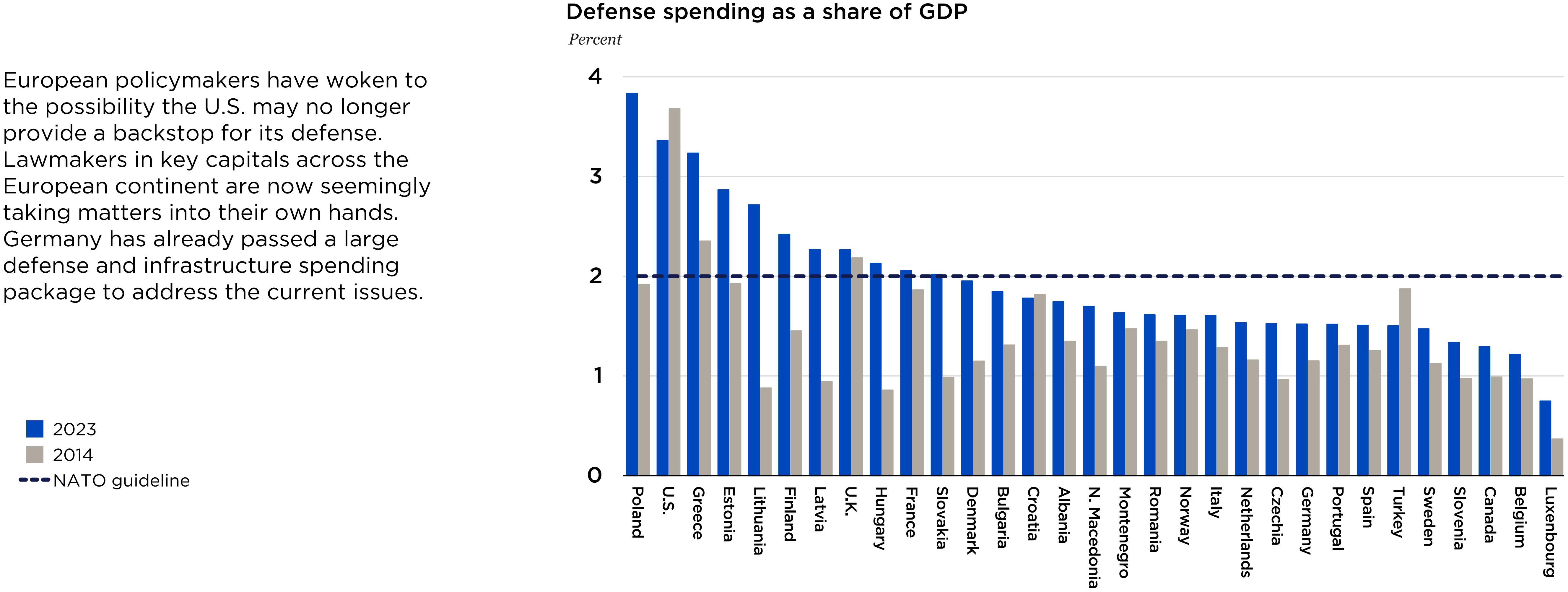
Index; Jan. 2016 = 100



Source: Haver Analytics, Nationwide Economics

A major fiscal change is underway in Europe

European policymakers have woken to the possibility the U.S. may no longer provide a backstop for its defense. Lawmakers in key capitals across the European continent are now seemingly taking matters into their own hands. Germany has already passed a large defense and infrastructure spending package to address the current issues.



Source: NATO, World Bank, Haver Analytics, Nationwide Economics

Nationwide®

Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

The information in this report is general in nature and is not intended as investment or economic advice, or a recommendation to buy or sell any security or adopt any investment strategy. Additionally, it does not take into account any specific investment objectives, tax and financial condition or particular needs of any specific person.

The economic and market forecasts reflect our opinion as of the date of this report and are subject to change without notice. These forecasts show a broad range of possible outcomes. Because they are subject to high levels of uncertainty, they will not reflect actual performance. We obtained certain information from sources deemed reliable, but we do not guarantee its accuracy, completeness or fairness.

S&P 500® Index: An unmanaged, market capitalization-weighted index of 500 stocks of leading large-cap U.S. companies in leading industries; gives a broad look at the U.S. equities market and those companies' stock price performance.

S&P Indexes are trademarks of Standard & Poor's and have been licensed for use by Nationwide Fund Advisors. The Products are not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's does not make any representation regarding the advisability of investing in the Product.

MSCI EAFE® Index: An unmanaged, free float-adjusted, market capitalization-weighted index that is designed to measure the performance of large-cap and mid-cap stocks in developed markets as determined by MSCI; excludes the United States and Canada.

MSCI World ex USA® Index: The Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States. With 1,020 constituents, The Index covers approximately 85% of the free float-adjusted market capitalization in each country. DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

MSCI Emerging Markets® Index: An unmanaged, free float-adjusted, market capitalization-weighted index that is designed to measure the performance of large-cap and mid-cap stocks in emerging-country markets as determined by MSCI. The Fund is not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based.

Bloomberg U.S. Aggregate Bond Index: An unmanaged, market value-weighted index of U.S. dollar-denominated, investment-grade, fixed-rate, taxable debt issues, which includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and non-agency).

Bloomberg U.S. Corporate High Yield Bond Index: An unmanaged index that measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

Bloomberg U.S. Municipal Bond Index: An unmanaged index that covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Bloomberg U.S. Long Treasury Index: An index that measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 10 years or more to maturity.

Bloomberg Commodity Index: a broadly diversified commodity price index that tracks prices of futures contracts on physical commodities on the commodity markets.

Bloomberg® and its indexes are service marks of Bloomberg Finance L.P. and its affiliates including Bloomberg Index Services Limited, the administrator of the index, and have been licensed for use for certain purposes by Nationwide. Bloomberg is not affiliated with Nationwide, and Bloomberg does not approve, endorse, review or recommend this product. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any date or information relating to this product.

Russell 1000® Growth Index: An unmanaged index that measures the performance of the large-capitalization growth segment of the U.S. equity universe; includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index: An unmanaged index that measures the performance of the large-capitalization value segment of the U.S. equity universe; includes those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index: An unmanaged index that measures the performance of the small-capitalization segment of the U.S. equity universe.

Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. The Fund is not sponsored, endorsed, or promoted by Russell, and Russell bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. Russell ® is a trademark of Russell Investment Group.

ISM Manufacturing Purchasing Managers' Index (PMI) is a monthly economic indicator that measures the level of business activity in the U.S. manufacturing sector and is calculated from five major components: new orders, production, employment, supplier deliveries, and inventories.

CBOE Volatility Index (VIX): A real-time market index representing the market's expectations for volatility over the coming 30 days.

Consumer Price Index (CPI): The CPI measures the average change in price over time of a market basket of consumer goods and services. The market basket includes everything from food items to automobiles to rent.

ISM Report on Business: Includes both Manufacturing (PMI) and Services (PMI), which are composite indexes that measure economic activity in the manufacturing and non-manufacturing sectors, respectively, based on surveys of purchasing managers.

Merrill Lynch Option Volatility Estimate Index (MOVE Index): A crucial gauge of interest rate volatility in the US Treasury market. It is calculated from options prices, which reflect the collective expectations of market participants about future volatility.

Nationwide Funds distributed by Nationwide Fund Distributors LLC, member FINRA, Columbus, Ohio. Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

NFM-13126AO.47